



Phillips Carbon Black Limited

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Report and Accounts
1999-2000

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 Fortieth 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 and Industry, 6 Netaji Subhas Road, Calcutta - 700 001 on Friday the 30th day of March, 2001 at 10.30 A.M. to transact the following business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 30th September, 2000, 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. C. R. Paul who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P. V. Gandhi who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. O. P. Malhotra 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 pursuant to the provisions of Sections 198, 269, 309, 310 of the Companies Act, 1956, read with Schedule XIII thereto, the Company hereby approves the variation in terms of remuneration of Mr. Sudhir Sahgal as Managing Director of the Company from 1st April, 2000 to 31st March, 2001 as set out in the Explanatory Statement attached to this Notice."

8. (As a Special Resolution)

"RESOLVED that the Equity Shares of the Company be delisted from Rajkot, Jaipur and Ahmedabad Stock Exchanges in accordance with the relevant laws, rules, regulations or guidelines and subject to such approvals as may be necessary and in compliance with such conditions and modifications as may be necessary for the purpose.

RESOLVED further that the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof exercising the powers conferred by the Board) be and is hereby authorised to seek voluntary delisting, to take all necessary steps in this regard as it may in its absolute discretion deem necessary and to settle any question, difficulties, doubts that may arise in regard to delisting of the existing shares, and to execute all such deeds, documents, writings as may be necessary or

expedient and for this purpose to delegate the authority to the Managing Director or the Company Secretary or any person whom the Managing Director may consider suitable to do various acts, deeds and things required to be done in this behalf."

9. (As a Special Resolution)

"RESOLVED that pursuant to the provisions of Article 96 of Articles of Association of the Company read with Section 309(4) of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby authorises payment to the Directors of the Company (other than the Managing Director or a Wholtime Director of the Company or an Alternate Director) of a commission not exceeding 1% of the Net Profit of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956 in such proportion as may be determined by the Board of Directors of the Company from time to time and in default of such determination in equal proportion for each of the five financial years of the Company commencing from the financial year ending 1999-2000.

Registered Office :

31 Netaji Subhas Road,
Calcutta 700 001
Dated : 15th December, 2000

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 16th March, 2001 to 30th March, 2001 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 15th April, 2001 to those members whose names appear on the Register of Members of the Company as on 30th March, 2001 or to their mandatees.
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, 2000.

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 up to 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', 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. 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 No. 7

The Shareholders at their last Annual General Meeting held on the 6th day of March, 2000 approved the appointment of Mr. Sudhir Sahgal as Managing Director of the Company for a period of 5 years i.e. 1st January, 2000 to 31st December, 2004 and the payment of remuneration for the period 1st January, 2000 to 31st March, 2000. The Company vide its letter dated 31st October, 2000 revised the remuneration payable to Mr. Sudhir Sahgal from 1st April, 2000 to 31 March, 2001 as under:

1. Salary : Rs.60,700/- per month
2. Allowance : Rs.62,100/- per month
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 6th March, 2000.

The above may also be regarded as an Abstract of the terms of appointment of Mr. Sudhir Sahgal as the Managing Director of the Company under Section 302 of the Companies Act, 1956.

The approval of members is being sought for payment of remuneration including minimum remuneration as per Resolution No. 7.

Your Directors recommend the resolution set out at Item No. 7 of the Notice be passed in the interest of the Company.

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

The terms and conditions as set out in the letter dated 31st October, 2000 issued by the Company to Mr. Sudhir Sahgal is available for inspection to members at the Registered Office

of the Company between the hour 10.00-A.M. to 12 Noon or any working day of the Company and also available at the Meeting.

Item No. 8

The Equity Shares of the Company are presently listed at Calcutta (the Regional Stock Exchange), Delhi, Mumbai, Rajkot, Jaipur, National Stock Exchange and Ahmedabad Stock Exchanges. Since the last few years the volume of trading of the Company's shares at Rajkot, Jaipur and Ahmedabad Stock Exchanges have reduced considerably which does not justify payment of considerable amount by way of listing fees and other expenses the Company is incurring. The Board of Directors of the Company at their meeting held on 15th December, 2000 have therefore decided to get the shares delisted from the abovementioned Rajkot, Jaipur and Ahmedabad Stock Exchanges in accordance with the applicable laws, rules, regulations and guidelines.

As required under the Listing Agreement entered by the Company with the Stock Exchanges, the Company seeks your approval by way of a Special Resolution for delisting the shares of the Company from the said Stock Exchanges at Rajkot, Jaipur and Ahmedabad.

Shareholders/Investors in these regions will not suffer due to delisting since with the introduction of screen trading on National Stock Exchange; trading in shares can easily be done from all over the country.

All material documents including copy of the Listing Agreements are open for inspection by the members on all working days between 10.00 A.M. to 12 Noon at the Registered Office of the Company and also available at the Meeting.

Item No. 9

Pursuant to Article 96 of the Articles of Association of the Company, a special resolution was passed by the Company at Annual General Meeting held on 28th June, 1994 authorising payment to the Directors of the Company, a commission not exceeding 1% of the profits calculated in the manner laid down in Section 309 of the Companies Act, 1956 for a period of 5 years, commencing with the financial year ended 30th September, 1995.

Your Directors consider that a fresh resolution be passed by the Company authorising continuance of payment of commission to the Directors (other than a Managing Director or a Wholetime or an Alternate Director) for a further period of 5 years from the financial year ending 1999-2000 in accordance with the Special Resolution being Item No. 9 as set out in the annexed notice.

Your Directors recommend that the Resolution be passed.

All the Directors of the Company excluding the Managing Director and the Executive Directors are concerned or interested in the resolution to the extent of the commission to which they are entitled.

Directors' Report

Your Directors have pleasure in presenting the fortieth report and accounts of Phillips Carbon Black Limited for the year ended 30th September, 2000.

Financial Highlights

Salient features of the Company's financial performance are summarised below :

	(Rs. in Lakhs)	
	For the Year ended 30.09.2000	For the Year ended 30.09.1999
Turnover	40,603.53	34,138.37
Profit before Interest, Depreciation & Taxes	4,410.03	4,146.41
Gross Profit	1,673.03	1,327.76
Less :		
Depreciation	917.70	851.12
Profit before Tax	755.33	476.64
Provision for Taxation	85.00	95.00
Profit after Tax	670.33	381.64
Surplus brought forward	687.60	351.77
Transfer from Debenture Redemption Reserve	80.00	251.25
Profit available for Appropriation	1,437.93	984.66
Proposed Dividend @ Re. 1.00 per Equity Share (previous year Re.1.00 per Equity Share)	177.53	177.53
Tax on Proposed Dividend	39.06	19.53
Transfer to General Reserve	65.00	100.00
Balance carried forward to next year	1,156.34	687.60

Performance of the Company

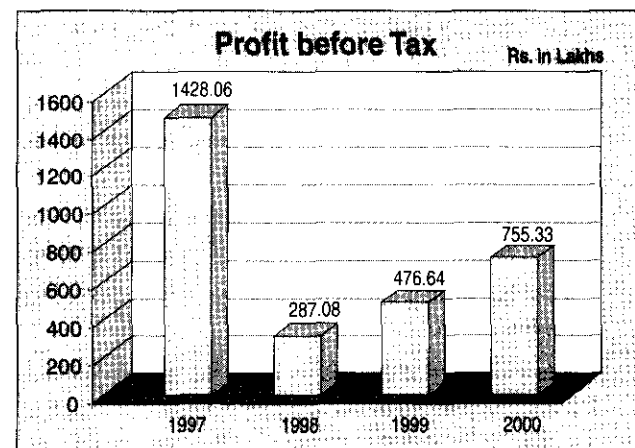
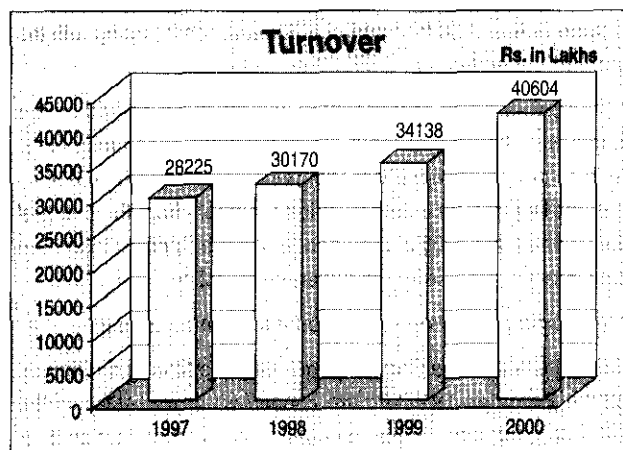
After a good start, the second half of the year experienced slow down of the Indian economy. The second half of the year also bore the brunt of global oil price rise and the resultant increase in feedstock prices.

It is a tribute to the competitive strength of your Company that in spite of these adverse conditions it could achieve the following during the year :

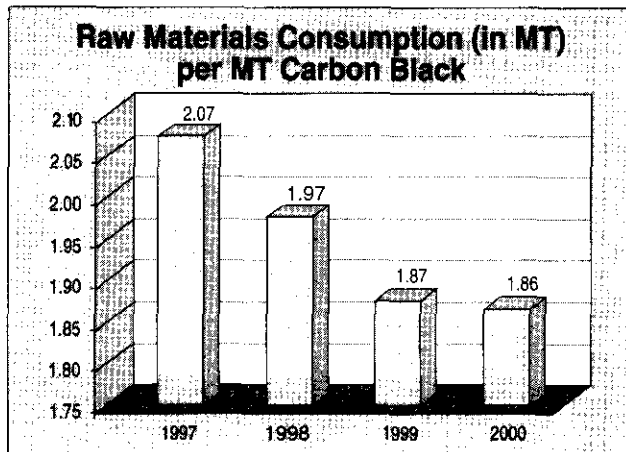
- Sales turnover from operations went up by 19%.
- In volume terms, sales went up by 13% to over 132000 MT.
- Overall operating expenditure per tonne was reduced by over 15%.
- Despite increase in volumes and turnover, the interest cost per tonne came down by 14%.
- As a result of higher generation from its captive power plants there was substantial saving in cost of power per tonne from Rs. 599 to Rs. 460.
- F.O.B. value of Exports were up 11% in value term – Rs. 51.05 crore from Rs. 45.77 crore.
- Profit before tax registered a healthy 58.5% increase to Rs.7.55 crore.

Dividend

Your Directors have pleasure in recommending 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.39.06 lakhs.

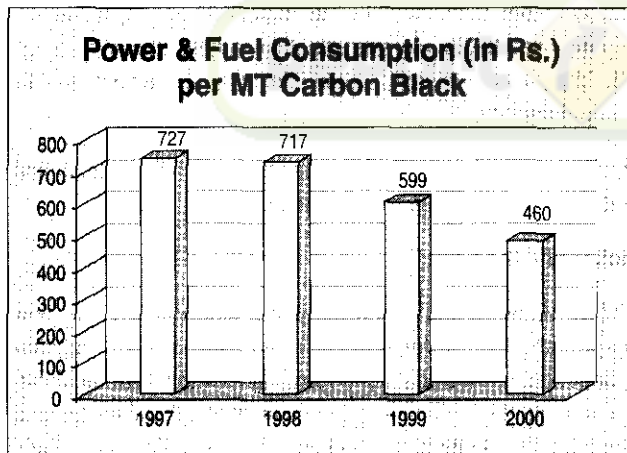


Phillips Carbon Black Limited



Manufacturing

Carbon black production during the year was up 15% from 114669 MT to 132320 MT. To partially off-set the adverse impact of rising raw-material costs, the company successfully undertook an all-round economy drive. Substantial reduction in power costs was achieved by raising power generation at the company's captive plants at Cochin and Durgapur.



In spite of four-month long industrial disturbances, production at the Cochin plant continued unabated.

The Directors are happy to report that despite difficulties, the company's total plant capacity utilization rose to 76% from 66% achieved in the previous year.

Research & Development

As a result of sustained Research & Development activities, the Company successfully developed and manufactured, for the first time, specialized grades of carbon black used in both Tyre and Plastic industry. Overall, there was a significant improvement in product quality. PCBL now enjoys ISO 9001

accreditation, covering 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, 2000), South Asia Electricity Holdings Ltd. (for the year ended 31st March, 2000) and PCBL Industrial Finance Ltd. (for the year ended 31st March, 2000) are annexed to this Report. Carnival Investments Limited has ceased to be subsidiary of your Company with effect from 8th November, 1999.

During the year, the Company received from Ceat Limited, dividends totalling Rs. 17.44 lakhs.

Public Deposits

Fixed Deposits from the public, outstanding with the Company as on 30th September, 2000, amounted to Rs. 1698.08 lakhs. 331 deposits, aggregating Rs. 56.10 lakhs due for repayment on or before 30th September, were not claimed by depositors. Out of these, 107 deposits, totalling Rs. 14.61 lakhs have either been claimed and paid or renewed till the date of this Report.

Notes on Accounts

Regarding the Auditor's comments on certain points, the Directors draw your attention to Notes 10 and 17 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.

Environment

Safety and Environment issues received high priority during the year. The accent was on adoption of cleaner technology and conservation of resources, through waste reduction and continuous training. The standard of safety and environmental protection was raised during the year through critical investment in sophisticated plant and equipment.

PCBL complies with all statutory requirements regarding environment and safety. The Company continues to enjoy Water, Air and Environment clearance benefits under the Water (Prevention & Control of Pollution) Act, 1974, The Air (Prevention & Control of Pollution) Act, 1981, The Environment Protection Act, 1986.

Human Resources

Your Directors sincerely thank employees for their team work, enthusiasm and efforts in meeting competition and improving productivity.

The industrial relations problem at Cochin, was settled on 2nd April, 2000.

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.

Delisting

Equity shares of your Company are presently listed on Calcutta (the Regional Stock Exchange), Delhi, Mumbai, Rajkot, Jaipur, NSE and Ahmedabad Stock Exchanges. Your Directors recommend delisting of the Company's shares from Rajkot, Jaipur and Ahmedabad Stock Exchanges, due to lack of trading volume.

Corporate Governance

Recent amendments to the Listing Agreements with Stock Exchanges require the Company's compliance of Corporate Governance norms with effect from year ending 30th September, 2002. PCBL has adopted a comprehensive corporate governance policy with a view to ensuring transparency, full disclosure of facts, fairness & accountability and a framework of ethical business conduct.

Directors' Responsibility Statement

Information as per Section 217 (2AA) of the Companies Act, 1956, is given in the Annexure forming part of this report.

Auditors

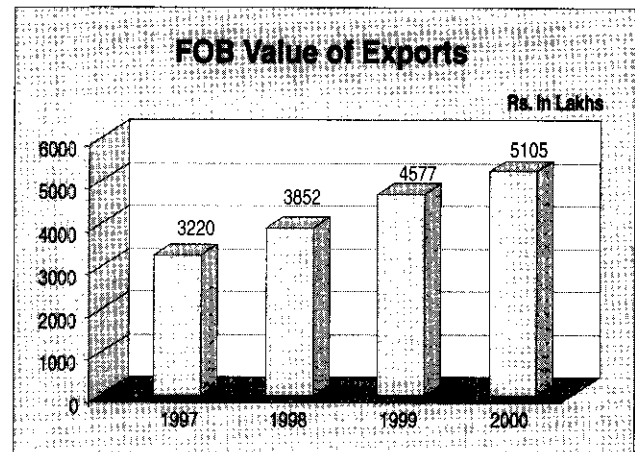
The auditors, Messrs. Price Waterhouse, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

Directors

Mr C R Paul, Mr P V Gandhi and Mr O P Malhotra retire by rotation and being eligible, offer themselves for re-election.

Future Outlook

During the second half of the year ending September 2000, the domestic automobile industry slowed down. The



Heavy Commercial Vehicle segment experienced a sharp downsizing. As a result, there was a down slide in demand for tyres. However, in the new calendar year, the demand for Truck and Bus tyres is expected to pick up. This should result in increased demand for the carbon black industry. The domestic competition will, however, continue to be stiff. In the export market too, we expect continuous support from customers in the region. There is, however, urgent need for the Government to reduce import duty on CBFS. This will help the industry to sharpen its competitiveness.

Barring unforeseen circumstances, the Directors are optimistic about the future of the Company.

Acknowledgement

The Directors thank the employees, who carried out their responsibilities under difficult circumstances to improve production, reduce costs and remain profitable in an adverse market situation. The Directors also thank the Central and State Governments for support and guidance. The company's encouraging performance during a difficult year would not have been possible without the co-operation and support of its customers, business associates, suppliers and financial institutions, bankers and investors. The Directors would like to thank them for the trust reposed in the company.

For and on behalf of the Board

Sanjiv Goenka
Chairman

Calcutta,
15th December, 2000

Annexure to the Directors' Report

Phillips Carbon Black Limited

Statement in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th September, 2000.

1.A. Conservation of Energy

(a) Energy Conservation measures taken :

- Maximised power generation at co-gen power plants at Durgapur and Cochin.
- Reduction of contractual maximum demand from 3000 KVA to 2000 KVA at Durgapur.
- Process optimisation for improving specific energy consumption.
- Replacement of energy inefficient equipments.
- Periodic internal/external energy audit conducted.

(b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy :

- Installation of 1000 KVA DG set at Durgapur.
- Monitoring production from existing equipment reducing specific energy consumption.

(c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- Further reduction of 4% in power consumption per ton of Carbon Black in addition to 13% achieved last year.

(d) Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto :

(iii) Through Co-gen Power Plant

(Off-gas burning) units (KWH)	4,33,49,255	3,20,69,145
Units per ltr. of fuel oil (KWH)	51.97	49.59
Cost per unit (Rs.)	0.31	0.28

2. Coal (specify quality and where used)

Quantity (tonnes)	—	—
Total cost (Rs. in lakhs)	—	—
Average rate (Rs.)	—	—

3. Furnace Oil

Quantity (K. ltr.)	—	—
Total cost (Rs. in lakhs)	—	—
Average rate (Rs.)	—	—

4. Others/internal generation (process steam)

Quantity (MT)	74,762	56,137
Total cost (Rs. in lakhs)	12.45	9.70
Average rate (Rs.)	16.65	17.27

B. Consumption per unit of production CARBON BLACK :

(i) Electricity (KWH/MT)	394	412
(ii) Furnace oil (Ltr./MT)	—	—
(iii) Coal	—	—
(iv) Others - process steam (MT/MT)	0.57	0.77

B. Technology Absorption :

(a) Efforts made in technology absorption as per Form-B of the Annexure.

Form for disclosure of particulars with respect to absorption :

FORM - A

Form for disclosure of particulars with respect to Conservation of Energy

Current Year	Previous Year
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A. Power and Fuel consumption

1. Electricity

(a) Purchased units (KWH)	86,44,817	1,49,21,229
Total amount (Rs. in lakhs)	507.78	543.96
Rate per unit (Rs.)	5.87	3.65

(b) Own generation

(i) Through diesel generators		
units (KWH)	1,66,936	2,86,738
Units per ltr. of diesel oil (KWH)	3.76	3.60
Cost per unit (Rs.)	3.77	3.78

(ii) Through steam/turbine

generators units (KWH)	—	—
Units per ltr. of fuel/gas oil (KWH)	—	—
Cost per unit (Rs.)	—	—

FORM - B

Research & Development (R&D)

1. Specific areas in which R&D carried out by the Company :

- Development of specific grade for export market.
- Improvement of product characteristic as per customer requirement.
- Optimisation of standard operating procedure.
- Pollution control for solid waste, liquid waste & gases.
- Development of modified grade for the plastic industry.

2. Benefits derived as a result of the above R&D :

- Increased demand for export customers for both rubber & non rubber sector.
- Cost effectiveness & resolution of end user problems.

- Better quality.
- Increased demand for modified product by plastic industry.

3. Future Plan of Action

- Usage of alternative fuels for reactor.
- Development of industrial black.
- Cost reduction through effective use of information technology.
- Environment Protection through environment audit

4. Expenditure on R&D :

	(Rs. in Lakhs)	
	Current Year	Previous Year
(a) Capital	—	—
(b) Recurring	43.55	70.13
(c) Total	43.55	70.13
(d) Total R&D Expenditure as a percentage of total expenditure	0.11	0.20

Technology absorption, adaptation, innovation :**1. Efforts in brief towards technology absorption, adaptation and innovation :**

- Continuous process of utilisation of technology is taking place in commercial production through trial runs

2. Benefits derived as a result of the above efforts :

- Higher yield
- Increased productivity
- New customer development
- Superior product quality

3. Particulars of Imported Technology in the last 5 years :

- (a) Technology Imported : Modern High Temperature Technology obtained from M/s. Columbian Chemicals Co., USA.
- (b) Year of Import : 1988
- (c) Has the technology been fully absorbed ? : Yes

- (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action. : Not applicable

C. Foreign exchange earnings and outgo :

- a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

The FOB value of exports increased by Rs. 527.12 lakhs.

- b) Total Foreign Exchange used and earned :

	(Rs. in Lakhs)	
	Current Year	Previous Year
Foreign Exchange used	10,888.56	7,886.98
Foreign Exchange earned	5,105.39	4,578.27

Directors' Responsibility Statement u/s 217 (2AA) of the Companies Act, 1956.

The Directors confirm that the Annual Accounts have been prepared in accordance with the applicable accounting standards. The management has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the company at the end of the financial year and of the profits of the company for that period. Sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. The annual accounts have been prepared on going concern basis.

For and on behalf of the Board



Sanjiv Goenka
Chairman

Calcutta,
15th December, 2000