



Phillips Carbon Black Limited

**Report and Accounts
2002 - 2003**

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Phillips Carbon Black Limited



Phillips Carbon Black Limited

Mr R P Goenka
Chairman Emeritus

Board of Directors

Mr Sanjiv Goenka
Chairman

Mr B M Khaitan

Mr Amiya Gooptu

Mr C R Paul

Dr Ram S Tarneja

Mr K S B Sanyal

Mr Paras K Chowdhary

Mr O P Malhotra

Mr S K Bajoria

Mr S Sahgal
Managing Director

Secretary

Mr K Mukherjee

Auditors

Price Waterhouse
Chartered Accountants
Plot No. Y – 14
Block-EP, Sector – V
Salt Lake Electronic Complex
Bidhan Nagar, Kolkata 700 091

Solicitors

Khaitan & Co.
1B Old Post Office Street
Kolkata 700 001

Registered Office

31 Netaji Subhas Road
Kolkata 700 001

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Phillips Carbon Black Limited

Notice

Notice is hereby given that the Fortythird 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, Kolkata 700 001 on Thursday, the 4th day of March, 2004 at 10.00 A. M. to transact the following business :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 30th September, 2003, the Balance Sheet as at that date and the Reports of the Directors and the Auditors.
2. To declare a Dividend for the year ended 30th September, 2003.
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. Paras K. Chowdhary 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 authorize 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. S. K. Bajoria be and is hereby appointed a Director of the Company".
8. (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, and other applicable provisions if any, of the Companies Act, 1956, the Company hereby approves the variation in terms of remuneration of Mr. Sudhir Sahgal as Managing Director of the Company from 1st July, 2003 as set out in the Explanatory Statement attached to this notice."
9. (As an Ordinary Resolution)
"Resolved that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and/or charging by the Board of Directors of the Company (hereinafter referred to as "the Board") of all the immovable and movable properties of the Company situate at 27, R. N. Mukherjee Road, Durgapur, Dist. Bardhaman, in the State of West Bengal, together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth, both present and future, (hereinafter collectively referred to as "the said immovable properties") for securing the due repayment, discharge and redemption by the Company to :

ICICI Bank of Its :

- a) Rupee Loan of Rs. 250 million;
 - b) Rupee Loan of Rs. 150 million;
 - c) Corporate Loan of Rs. 200 million; and
 - d) Guarantee Facility to the extent of Rs. 250 million
- together with all interest, liquidated damages, front end fees, premia on prepayment or on redemption, guarantee commission, costs, charges, expenses and other monies, payable under their respective Loan Agreements/Facility Agreements/Letters of Sanction, as amended from time to time. Provided, however, the mortgage to be created in favour of the working capital banks to secure their working capital facilities will rank subsequent and subservient to the mortgage created in favour of ICICI Bank to secure the aforesaid financial assistance.

Resolved Further that, the Board or its Committee or Persons authorized by the Board, be and is/are hereby authorized to

finalise, settle and execute any and all agreements, documents, deeds, writings and papers as may be necessary for creating the mortgages and/or charges as aforesaid and to do all acts, deeds, matters and things as it/they may, in its/their absolute discretion consider necessary, desirable or expedient for implementing this resolution and to resolve any question, difficulty or doubt relating thereto or otherwise considered to be in the best interest of the Company."

10. (As an Ordinary Resolution)

"Resolved that pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times, and in such form and manner, as it may think fit, the whole or substantially the whole of the Company's any one or more of the undertakings or all undertakings, including the present and/or future properties, whether movable or immovable, tangible or intangible comprised in any existing or new undertaking or undertakings of the Company, as the case may be, in favour of the Lenders, Agents and/or Trustees for securing the long term, short term including working capital loans and medium term borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and securities (comprising fully/partly convertible debentures and/or non-convertible debentures with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rate notes/bonds or other debt instruments) issued/to be issued by the Company as also deferred sales tax loans availed/to be availed by various units of the Company, from time to time, subject to the limits approved/as may be approved by the Members under Section 293 (1) (d) of the Companies Act, 1956 as also the interest on the principal amounts at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, premium (if any) on redemption, remuneration of agent(s)/trustee(s), all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement, debenture trust deed(s) and/or any other deed(s) or document(s) entered into/to be entered into between the Company and the lender(s)/agent(s) trustee(s)/state government(s)/agency(ies) representing various state government(s) and/or other agencies, etc. in respect of the said loans/borrowings/debentures/securities/deferred sales tax loans and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors of the Company (including any Committee thereof) and the lender(s)/agent(s)/trustee(s)/state government(s) agency(ies), etc.

Resolved Further that the securities to be created by the Company as aforesaid may rank prior/*pari passu*/subservient with/to the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors or its Committee and as may be agreed to between the consented parties.

Resolved Further that, the Board or its Committee or Persons authorized by the Board, be and is/are hereby authorized to finalise, settle and execute any and all agreements, documents, deeds, writings and papers as may be necessary for creating the mortgages and/or charges as aforesaid and to do all acts, deeds, matters and things as it/they may, in its/their absolute discretion consider necessary, desirable or expedient for implementing this resolution and to resolve any question, difficulty or doubt relating thereto, or otherwise considered to be in the best interest of the Company."

Phillips Carbon Black Limited

11. (As a Special Resolution)

"Resolved that pursuant to the provisions of Section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956, and the Rules framed thereunder, the Company hereby approves the appointment of Mr. Debashis Roy, a relative of Mr. C. R. Paul, a Director of the Company for holding and continuing to hold an office or place of profit as the Chief Information Officer of the Company with effect from 1st June, 2003 under a contract of service on a salary of Rs. 26,000/- per month in the scale of Rs. 18,500 – 2,250 – 41,000 or such other revised scale, together with the usual allowances, benefits, amenities and facilities as applicable to the other employees of the Company in the senior executive cadre with the authority to the Board of Directors or its Committee to sanction at its discretion increments as it may deem fit provided that the remuneration payable to Mr. Debashis Roy shall be subject to the prior approval of the Central Government under Section 314 (1B) of the Act, as and when his total monthly remuneration exceeds Rs. 50,000/- or such other sum as may be prescribed."

12. (As a Special Resolution)

To declare the result of undernoted Resolution which has been circulated as a Special Resolution requiring consent of Members through Postal Ballot :

"Resolved that pursuant to the provisions of Section 17, and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the amendment of Clause 3 of the Memorandum of Association of the Company by insertion of the following sub-clause No. (1a) alongwith the marginal note thereto, after the existing sub-clause No. (1).

| | |
|---|---|
| <p>(1a)</p> <p>Dealing in power and all forms of energy</p> | <p>To carry on the business of generation, distribution, transmission and sale of power including supply, accumulation and employment of energy in all its forms capable of being used; to manufacture and deal in all apparatus and things required for or in connection with the generation, distribution, supply, accumulation and employment of electricity; including in the term electricity all power that may be directly or indirectly derived therefrom or may be incidentally hereafter discovered in dealing with electricity and to carry on the business of consultants and advisors in relation to the business aforementioned; disposal of ash and in the business of its by products."</p> |
|---|---|

13. (As a Special Resolution)

"Resolved that pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to commence and carry on the business as specified in sub-clause (1a) of Clause 3 of the Memorandum of Association of the Company."

14. (As a Special Resolution)

"Resolved that pursuant to the applicable guidelines of the Securities and Exchange Board of India (SEBI) and all other applicable laws, rules, guidelines, regulations, provisions if any, of other authorities, and which may become applicable hereafter, governing the matter, approval of the Company be and is hereby accorded to the delisting of the shares of the Company, from any one or more of the Stock Exchanges where the Company's shares are listed and in particular, the following Stock Exchanges :

- i) The Delhi Stock Exchange Association Limited
- ii) The Stock Exchange, Ahmedabad
- iii) Rajkot Stock Exchange Limited
- iv) Jaipur Stock Exchange

at such time as the Board of Directors (whether acting through Board, a Committee of the Board or any Director or any person

authorized by the Board) may, in their absolute discretion, consider appropriate and proper without giving an exit option to the shareholders of the regions where the aforesaid Stock Exchanges are situated and on the terms and conditions as may be stipulated and mutually agreed to in the best interest of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fees payable to the Stock Exchanges and the volume of trading on the relevant Stock Exchanges."

Registered Office :

31, Netaji Subhas Road

Kolkata-700 001

Dated : 16th December, 2003

By Order of the Board

K. Mukherjee

Company Secretary

NOTES :

- a) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to Special Business to be transacted at the Annual General Meeting is attached.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member.
- c) The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than fortyeight hours before the commencement of the Meeting.
- d) The Register of Members and the Share Transfer Books of the Company shall remain closed from 25th February, 2004 to 3rd March, 2004, (both days inclusive).
- e) The Company has already transferred all unclaimed/unpaid Dividend declared upto the Financial year ended 30th September, 1995 to the Investor Education Protection Fund (IEPF) of the Central Government pursuant to the introduction of Section 205C by the Companies (Amendment) Act, 1999.
- f) Dividends for the Financial year ended 30th September, 1996 and thereafter, which remain unclaimed or unpaid for a period of seven years will be transferred to the IEPF under Section 205C of the Act. Shareholders who have not encashed the dividend warrant(s) so far for the Financial Year ended 30th September, 1996 or any subsequent Financial Years are requested to make their claims to the Registered Office of the Company. It may also be noted that once the unclaimed dividend is transferred to IEPF as stated above, no further claim shall lie in respect thereof. The dividend for the Financial Year ended 30th September, 1996 is due to be transferred to the aforesaid Fund immediately after 2 May, 2004.
- g) If the dividend as recommended by the Board of Directors, is declared, at the meeting, will be paid to those Members whose names appear on the Company's Register of Members and who are notified as beneficiaries by the Depositories viz. National Securities Depository Ltd. and Central Depository Services (India) Limited at the close of business on 24th February, 2004 on and from 8th March, 2004
- h) Members can avail of the nomination facility, under Section 109A of the Companies Act, 1956, by submitting Form No. 2B of the Companies (Central Government's) General Rules and Forms, 1956 with the Company. Blank forms will be supplied on request.
- i) Members are requested to notify immediately any change of address :
 - i. To their Depository Participant (DPs) in respect of the electronic shares accounts, and
 - ii. To the Registered Office of the Company in respect of the physical share accounts.

In case the Mailing Address mentioned on this Annual Report is without the PINCODE, Members are requested to kindly inform their PINCODE immediately.

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

Item 7

The Board of Directors of the Company ("the Board") appointed Mr. Shishir Kumar Bajoria ("Mr. Bajoria") as Director of the Company with effect from 20th March, 2002 in the casual vacancy caused by the resignation of Mr. P. V. Gandhi. Mr. Bajoria holds office as a Director upto the forthcoming Annual General Meeting pursuant to the provisions of Section 262 of the Companies Act, 1956 ("the Act") and Article 109 of the Articles of Association of the Company.

A notice in writing pursuant to Section 257 of the Act, along with the prescribed deposit has been received by the Company from a member signifying his intention to propose the appointment of Mr. Bajoria as a Director of the Company at the forthcoming Annual General Meeting. Consent in writing has been received from Mr. Bajoria to act as a Director of the Company, if appointed.

Mr. Bajoria is a well known industrialist and the Board considers that his association with the Company as a Director will be in the interest of the Company. Accordingly, the Board recommends that the Resolution set out in Item No. 7 of the Notice be passed.

Apart from Mr. Bajoria, no other Director of the Company is concerned or interested in the aforesaid Resolution.

Item 8

The Shareholders at their Annual General Meeting held on 6th March, 2000, 30th March, 2001 and 27th March, 2003 had 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 payment of his remuneration. Subsequently, the Board of Directors of the Company, subject to the approval of the Members approved an increase in the remuneration to Mr. Sudhir Sahgal with effect from 1st July, 2003 as under:

1. Basic Salary : Rs. 1,13,500/- per month
2. Management Supplement : Rs. 1,13,500/- per month
3. Performance Bonus : Rs. 9,00,000/- for the financial year 2002-2003
4. Perquisites : Mr. Sudhir Sahgal will be entitled to the existing perquisites payable to him as approved by the Shareholders at the Annual General Meeting held on 30th March, 2001.

In the event of absence or inadequacy of profits in any financial year, the remuneration mentioned above shall be the minimum remuneration payable to Mr. Sahgal.

The approval of Members is accordingly being sought for payment of the above remuneration as per Item No. 8 of the Notice.

Your Directors recommend that the Resolution set out in Item No. 8 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 of increase in the remuneration to Mr. Sudhir Sahgal is available for inspection by the Members at the Registered Office of the Company between the hour 10.00 AM to 12 Noon on any working day of the Company and will also be available at the Meeting.

Item 9

In view of the Company's requirement of funds to augment its long term resources, ICICI Bank has sanctioned the additional financial assistance as shown against their respective accounts in the Resolution set out in Item No. 9 of the Notice.

The aforesaid loans are required to be secured by mortgage of the immovable properties of the Company and hypothecation of movable properties in terms of the Resolution set out in Item No. 9 of the Notice, in a form acceptable to ICICI Bank. Such security will rank *pari passu* with the security created/to be created by the Company in favour of its other first chargeholders.

In view of the provisions of Section 293(1)(a) of the Companies Act, 1956, such mortgage and/or charge can be created only with the approval of the Members in a General Meeting.

The Board of Directors of the Company recommends that the aforesaid Resolution be passed in the interest of the Company.

No Director of the Company is concerned or interested in the above Resolution.

Item 10

In order to meet the requirement of funds for financing of capital expenditure/ working capital requirements and/or general corporate purposes, the Company has to raise funds from time to time from Banks/Financial Institutions/ Investment Institutions/Mutual Funds/Bodies Corporate/Foreign Financial Institutions/Individuals and/or any other agency or agencies by way of loans, both in rupee and foreign currency and/or Debentures (Partly convertible/ Fully-convertible/Non-convertible) for Long Term/Short Term/Medium Term or any other nature of instrument as may be permissible by law which under Section 293 (1) (a) of the Companies Act, 1956, are normally secured by a mortgage/charge over the immovable/movable properties of one or more units of the Company in such form and manner as may be determined by the Board of Directors of the Company or its Committee, from time to time, in consultation with the Lenders/Agents/Trustees.

The Board of Directors of the Company recommends that the Resolution set out in Item No. 10 of the Notice be passed in the interest of Company.

No Director of the Company is concerned or interested in the above Resolution.

Item 11

Mr. Debashis Roy was appointed by the Board of Directors as the Chief Information Officer of the Company with effect from 1st June, 2003. Since Mr. Debashis Roy is a relative of Mr. C. R. Paul, a Director of the Company and has been appointed an officer of the Company he is said to be occupying a place of profit in the Company because of which provisions of Section 314(1) of the Companies Act, 1956 ("the Act") are attracted, requiring the approval of the Company by passing a special resolution at the Annual General Meeting held for the first time after he was so appointed in pursuance of the first proviso to Section 314(1) of the Act. Under the provisions of Section 314(1B) of the Act and the Rules framed thereunder, approval of the Central Government will be necessary when monthly remuneration of Mr. Debashis Roy is expected to exceed Rs. 50,000/- per month or such other sum as may be prescribed.

Mr. Debashis Roy holds a degree of Bachelor of Engineering (Electrical) and has an experience of 23 years including rich experience of nearly 15 years in Information Technology and allied areas.

The Special Resolution under Item 11 of the convening Notice is intended to obtain the requisite consent of the Company under Section 314 of the Act. An application will be made to the Central Government under Section 314(1B) of the Act, when the monthly remuneration of Mr. Debashis Roy is expected to exceed Rs. 50,000/- per month or such other sum as may be prescribed.

The Board recommends that the resolution set out in Item 11 of the Notice be passed with your approval.

Being related to Mr. Debashis Roy, Mr. C. R. Paul, a Director of the Company may be deemed to be concerned or interested in the Resolution.

No other Director is in any way concerned or interested in the said Resolution.

Item 12

Pursuant to the provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, resolution for amendment of Object Clause requires consent of the shareholders by Postal Ballot. Accordingly the Special Resolution and relevant Explanatory Statement has been sent to the Members for their assent/dissent by Postal Ballot. The Chairman of the Meeting shall declare the result of the Postal Ballot.

Your Directors recommend the Resolution for your adoption in the interest of the Company.

Item 13

Your Company has been examining from time to time a number of avenues for diversification of its business activities. Your Directors have now identified that a part of the process gas generated during the process of manufacture of Carbon Black which is released in the air can be effectively converted into power for sale to third parties. This is expected to bring about greater profitability to your Company which will be in the interest of the Company in the long run. The proposed business can conveniently and advantageously be combined with the existing business of the Company. In terms of Section 149(2A) of the Companies Act, 1956, your approval is being sought by way of a special resolution set out in Item 13 of the Notice seeking your consent for the Company to commence the said business.

Phillips Carbon Black Limited

The Directors recommend that the resolution be passed in the interest of the Company.

No Director of the Company is concerned or interested in the above Resolution.

Item 14

Consequent to the recent changes in the Capital Market and since substantial volume of trading in the Company's shares is put through the Mumbai Stock Exchange and National Stock Exchange, the trading volumes at the other stock exchanges is gradually getting reduced to a substantial extent or is almost nil. SEBI has also specified the shares of the Company for compulsory trading in demat form by all investors.

No particular benefit is therefore available to the shareholders of the Company by continuing the listing of shares of the Company on the other stock exchanges excepting the Mumbai Stock Exchange and the National Stock Exchange who are having nationwide trading terminals and the investors have access to trade and deal in the Company's shares across the country. As per the applicable SEBI Guidelines, no exit option is required to be given to the shareholders of the regions where the aforesaid Stock Exchanges are situated

as the Company's shares are listed on the Mumbai Stock Exchange and National Stock Exchange.

It is accordingly proposed to give the authority to the Board of Directors (whether acting through Board, a Committee of the Board or any Director or any person authorized by the Board) to delist the shares of the Company from Delhi, Ahmedabad, Rajkot and Jaipur Stock Exchanges.

The Company had already passed a Special Resolution at its Fortieth Annual General Meeting held on 30th March, 2001, to delist the shares of the Company from the Ahmedabad, Rajkot and Jaipur Stock Exchanges, but in spite of the same, the said previous resolution does not hold good and fresh resolution needs to be passed at a General Meeting subsequent to the SEBI Notification dated 17th February, 2003, notifying the new guidelines of delisting. The Company has been legally advised that in order to avoid any room for controversy and possible delay in delisting, relevant resolution be proposed for the approval of the Members at the ensuing Annual General Meeting.

Your Directors recommend that the Resolution be passed in the interest of the Company.

No Director of the Company is concerned or interested in the above Resolution.

Brief Profile of Directors seeking re-appointment at the Annual General Meeting

Chittaranjan Paul

| | |
|--|--|
| Date of Birth | 1st June, 1927 |
| Expertise in specific Functional Areas | Mr. C. R. Paul is a noted corporate adviser of RPG Group, one of India's top industrial houses and Ex-Managing Director of Calcutta Electric Supply Corporation having interest in Electrical and Thermal Power. He was also associated with Govt. of India, Environment Appraisal Committee for Thermal Power Projects as a Member. |
| Qualification | M. Sc., F.I.E.E. |
| Directorship held in other Companies | Kilburn Office Automation Limited. |
| Committee Membership | Chairman of Shareholders/Investors Grievance Committee and Member of Remuneration Committee of Phillips Carbon Black Limited |

Paras Kumar Chowdhary

| | |
|--|--|
| Date of Birth | 1st October, 1951 |
| Expertise in specific Functional Areas | Mr. Paras K. Chowdhary is President and Chief Executive Officer of the Tyre Group in the RPG Group of Industries. Earlier, he was President and Wholetime Director of Apollo Tyres Ltd. He is presently Managing Director of Ceat Limited |
| Qualification | B. Sc. Physics (Hons.) |
| Directorship held in other Companies | Ceat Limited, RPG Paging Services Limited, RPG Cellular Services Limited, RPG Cellular Investments & Holdings Limited, Associated Ceat (Pvt.) Limited, ACT Company (Pvt.) Limited, Associated Ceat Holdings (Pvt.) Limited, Ceat Kelani International Pvt. Limited, Ceat Kelani Associated Holdings Pvt. Limited, Jubilee Investments & Industries Ltd., Rado Tyres Limited and Spencer International Hotels Limited |
| Committee Membership | Member of Shareholders/Investors Grievance Committee of Ceat Limited Member of Audit Committee of Phillips Carbon Black Limited |

Om Parkash Malhotra

| | |
|--|---|
| Date of Birth | 4th February, 1932 |
| Expertise in specific Functional Areas | Mr. O. P. Malhotra is associated with the RPG Group since 1962. He was the Wholetime Director of the Company. Under his able and valued supervision the Company during the period 1993-94 undertook the modernization of its Plant at Durgapur |
| Qualification | B. Chem. Engg., M.I.E., M. Inst. D., F.I.I.Ch.E. |
| Directorship held in other Companies | Adom Investments Ltd., PCBL Industrial Finance Ltd., Duncan Investments & Industries Ltd., RPG Hospitex Ltd., South Asia Electricity Holdings Ltd., RPG Petrochem Limited, Adapt Investments Ltd., South India Fertilizers & Industries Ltd., Duncan Brothers & Co. Ltd., RPG Infrastructure Investments Pvt. Ltd., Chembond Chemicals Ltd., Alpha Carbon Limited |

Shishir Kumar Bajoria

| | |
|--|---|
| Date of Birth | 19th February, 1957 |
| Expertise in specific Functional Areas | Mr. Bajoria is the Managing Director of IFGL Refractories Ltd. and is also on the Board of Heritage Finance & Trust (India) Pvt. Ltd. as well as Heritage Health Services Pvt. Ltd. He was Past President of Indian Chamber of Commerce, Calcutta and Director of Industrial Promotion & Investment Corpn. of Orissa Ltd. and West Bengal Industrial Development Corporation Limited. |
| Qualification | B. Com (Hons.) |
| Directorship held in other Companies | Bajoria Holdings Private Limited, Heritage Health Services Private Limited, Heritage Finance & Trust (India) Private Limited, Coris Heritage Assistance Pvt. Ltd., Select Wealth Private Ltd., IFGL Refractories Limited, Bajoria Enterprises Limited, Keith Ceramic India Ltd., IFGL Bio Ceramics Limited. |
| Committee Membership | Member of Shareholders/Investors Grievance Committee of IFGL Refractories Limited. |

Phillips Carbon Black Limited

Directors' Report & Management Discussion and Analysis

Your Directors have pleasure in presenting their Fortythird Report and Accounts for the year ended 30 September, 2003.

Financial Highlights

| | (Rs. in Crore) | | |
|---|----------------|----------|----------|
| | 30.09.03 | 30.09.02 | % change |
| PBDIT (Before bad debts written off) | 67.83 | 51.22 | 32 |
| Less : Bad debts written off | 12.23 | 4.32 | |
| PBDIT | 55.60 | 46.90 | 19 |
| Less : Interest | 20.56 | 26.87 | - 23 |
| Profit before depreciation and tax | 35.04 | 20.03 | 75 |
| Less : Depreciation | 10.70 | 10.13 | |
| PBT | 24.34 | 9.90 | 146 |
| Provision for tax | | | |
| Current tax | 2.00 | 1.20 | |
| Deferred tax | 3.74 | 3.30 | |
| PAT | 18.60 | 5.40 | 244 |
| Surplus brought forward | 17.12 | 14.08 | |
| Transfer (to)/from Debenture Redemption Reserve (net) | (0.45) | 0.80 | |
| Profit available for Appropriation | 35.27 | 20.28 | 74 |
| Proposed dividend @ Rs. 2.50 per equity share (previous year Rs. 1.50 per equity share) | 4.44 | 2.66 | |
| Tax on proposed dividend | 0.57 | - | |
| Transfer to General Reserve | 2.00 | 0.50 | |
| Balance carried forward to next year | 28.26 | 17.12 | |

Dividend

Your Directors recommend for approval of Members at the Annual General Meeting a dividend of 25%, which will absorb Rs. 4.44 crore. The tax on dividend, to be borne by the Company, amounts to Rs. 0.57 crore.

Performance of the Company

Financial year 02-03 saw a 17% rise in the demand for Carbon Black in the tyre sector within the country. However, there was a drop in demand in the non-tyre sector by around 11%. Your Company too benefitted with a growth of nearly 10% in turnover and a jump of 244% in profits compared to previous year.

The performance could have been better if there were larger production capacity available to enable the Company corner a bigger share of the growth. Raw material costs went up, but so did sales realizations. A sharp reduction in financing costs contributed to a significant improvement in the bottom line.

Your Company maintained its premier position not only in the domestic market, but also made sizeable gains in the export market to retain the status of the India's largest carbon black exporter.

Manufacturing

Production grew by over 11% to nearly 150000 MTA. This was possible because of enhanced production at all the three plants.

De-bottlenecking, carried out in the second half of the year, has resulted in a sharp increase in production at Durgapur. Its benefits will be visible in 03-04.

Exports

During the year, exports received a renewed thrust registering a growth of more than 32% from Rs. 40 crore in the year 01-02 to over Rs. 53 crore in 02-03. Your Company now exports regularly to leading tyre Companies in Africa, Australia, China, Indonesia, Japan, Nepal, New Zealand, Philippines, Spain, Sri Lanka, and Vietnam.

Further increase in exports has been planned in 03-04.

Opportunities and Threats

The success of any business, apart from its own efforts and progress, is often dependant on several external factors. This may be in the form of opportunities which it can utilize to its benefit or threats, against which it has to cushion itself. Business environmental scanning for evaluating PCBL's various opportunities and threats has provided us with the following :

Opportunities

- The development and success of the Carbon Black business is dependant on the Tyre Industry which is its most important consumer. The expected rise in vehicles production should lead to increased demand for tyres, which in turn should lead to greater demand for carbon black.
- The Golden Quadrilateral and North-South-East-West National Highway projects are giant steps towards unprecedented improvement in road infrastructure. This in turn would lead to increased goods and passenger traffic, creating additional demand for tyres and consequently carbon black.
- The rise in demand for motor cycles and small cars should also lead to higher demand for carbon black.
- The Asia-Pacific region is already one of the fastest growing regions for tyre production. This should give your Company considerable growth opportunities in export markets.

Threats

- Rising and highly volatile cost of inputs, like Carbon Black Feedstock (CBFS).
- Reduction in import duty for Carbon Black.

Future Outlook

Riding high on the back of the fast growing tyre industry, the future of the Company appears optimistic. The robust growth in domestic tyre production is expected to continue in the next year. Increased exports should also add to the overall growth in demand for Carbon Black.

Your Company has embarked on a major expansion of the Baroda plant with the enhancement of capacity by 70,000 MTPA. A 12 MW power plant will also be installed. There are plans to sell a part of the power generated at Baroda. Production lines are expected to be functional by end of second quarter of FY 03-04, while the power plant should be ready by end of third quarter of FY 03-04. The expansion at Baroda is in keeping with the demand growth for Carbon Black both within the country and abroad. This will help your Company maintain its leadership position in the Carbon Black industry.

The prospects of carbon black business are closely linked to international crude oil prices, since feedstock prices form a significant proportion of its cost. Due to turbulence in world markets, crude prices have increased sharply during the last quarter of FY 02-03, the impact of which may be felt in subsequent quarters. Your Company, however, expects feedstock prices to progressively settle down at more reasonable levels during the days to come.

Research & Development

Your Company's Research and Development activities continue to focus on upgradation of various grades of Carbon Black so that PCBL products are at par with international grades thus paving the path for higher export sales and overall growth.

PCBL continues to enjoy ISO 9001 accreditation, covering critical areas of plant design, manufacturing and marketing functions.

Internal Control System and Adequacy

A well-knit internal control system has been established by the Company, which is already helping the management prepare reports on key performance indicators. Variance analysis is made

available to the persons concerned. Further, for adequate internal control system, Operations Reports are tabled at each Board Meeting.

An ERP project to further strengthen and improve internal systems and controls is expected to be operational by the fourth quarter of 03-04.

Human Resources Development

The Directors express their sincere thanks to employees for their commitment, team work and substantial contribution towards achieving corporate objectives. Specially tailored training programmes are aimed at higher output, increased productivity and managerial effectiveness. Continuous personnel development programmes are essential for ensuring sound development of the Company.

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

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings & outgo as required 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) Rules, 1988 is annexed. This forms an integral part of this Report.

Public Deposit

Fixed Deposits outstanding with the Company as at 30 September, 2003 amounted to Rs. 1355.66 lakhs (previous year Rs. 1623.25 lakhs). 227 deposits, aggregating Rs. 37.77 lakhs due for repayment on or before 30 September, 2003, were not claimed by the depositors. Out of these, 58 deposits totalling Rs. 18.02 lakhs have, either been paid or renewed till the date of this Report. For the balance amount, necessary instructions are awaited from depositors.

Notes on Accounts

Regarding the Auditors' comments on remuneration to Managing Director, the Directors draw your attention to Note 3.2 of Schedule 17 forming part of the Accounts. The observations made by the auditors should be read together with the Notes referred to, which is self-explanatory.

Safety & Environment

Safety, health of workers and staff and environment issues received high priority during the year. Environmental protection is a continuous process and advanced equipments are being progressively installed in the manufacturing plants. Meanwhile, PCBL continues to meet the statutory requirements.

Particulars of Employees

The Particulars of Employees required to be furnished under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form a part of this Report.

Corporate Governance

Under Clause 49 of the Listing Agreement with the Stock Exchanges, a section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this Report.

Voluntary Delisting of Company's Equity Shares from certain Stock Exchanges

Pursuant to the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, it is proposed to seek the Members' approval by way of special resolution for the Voluntary Delisting of the Company's Equity Shares from Rajkot Stock Exchange, The Stock Exchange Ahmedabad, Jaipur Stock Exchange and the Delhi Stock Exchange Association Ltd.

The Equity Shares will continue to remain listed on The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Limited (NSE), and the Calcutta Stock Exchange Association Limited. No exit option will be offered to the shareholders, as the equity shareholders will continue to have the benefit of trading on BSE, NSE with ease because of the connectivity all over India.

Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 your Directors state :

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- ii) That the Directors 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 affairs of the Company at the end of the financial year and of profit or loss of the Company for the period;
- iii) That the Directors took proper and sufficient care of the maintenance of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared the Annual Accounts on a going concern basis.

Auditors

The Auditors, Messrs Price Waterhouse, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Directors

Mr. S. K. Bajoria was appointed a Director of the Company to fill the casual vacancy caused by the resignation of Mr. P. V. Gandhi. Mr. Bajoria holds office up to the ensuing Annual General Meeting. Notice proposing the appointment of Mr. Bajoria, as a candidate for the office of a Director of the Company has been received by the Company from a shareholder in terms of Section 257 of the Companies Act, 1956.

Mr. C. R. Paul, Mr. Paras K. Chowdhary and Mr. O. P. Malhotra retire by rotation and being eligible offer themselves for re-appointment.

Forward-looking Statements

This report contains forward-looking statements that involve risks and uncertainties.

Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Significant factors that could make a difference to PCBL's operations include domestic and international economic conditions affecting demand, supply and price conditions, changes in government regulations, tax regimes and other statutes.

Acknowledgement

The Board would like to express its grateful appreciation for the assistance and co-operation received from customers, business associates, shareholders, Government authorities, Financial Institutions and Bankers and would like to thank them for the trust reposed in the management during the year. The Directors also wish to place on record their deep sense of appreciation for the efficient services rendered by employees throughout the year.

For and on behalf of the Board


Sanjiv Goenka
Chairman

Kolkata

16 December, 2003

Phillips Carbon Black Limited

Annexures to the Directors' Report

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, 2003.

1. A. Conservation of Energy:**(a) Energy conservation measures taken:**

- Power generation from co-gen plants increased by 4% over last year.
- Electricity (KWH) consumed per MT Carbon Black produced reduced further to 374 from 375 last year.

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

- 1250 KVA transformer installed and commissioned at CPP resulting in reduced system losses.
- Use of 2 gph nozzle at CPP boiler in place of 4 gph nozzle resulting in lower fuel consumption.
- Installed & commissioned DM water recovery plant.
- Installation of VVFD for pelletizer & other process equipment.

(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 power consumption per MT of Carbon Black.

- (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:

FORM-A**Form for disclosure of particulars with respect to Conservation of Energy**

| | Current Year | Previous Year |
|---|--------------|---------------|
| A. Power and Fuel consumption: | | |
| 1. Electricity | | |
| (a) Purchased units (KWH) | 10595229 | 7276503 |
| Total amount (Rs. in lakhs) | 612.39 | 435.12 |
| Rate per unit (Rs.) | 5.78 | 5.98 |
| (b) Own generation | | |
| (i) Through diesel generators units (KWH) | 606498 | 252205 |
| Units per ltr. of diesel oil (KWH) | 3.60 | 3.67 |
| Cost per unit (Rs.) | 5.91 | 5.76 |
| (ii) Through steam/turbine generators units (KWH) | — | — |
| Units per ltr. of fuel/gas oil (KWH) | — | — |
| Cost per unit (Rs.) | — | — |
| (iii) Through co-gen power plants (off-gas burning) units (KWH) | 44762970 | 43070135 |
| Units per ltr. of fuel oil (KWH) | 90.27 | 78.03 |
| Cost per unit (Rs.) | 0.43 | 0.21 |

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) | 111041 | 103395 |
| Total Cost (Rs. in lakhs) | 21.96 | 17.58 |
| Average rate (Rs.) | 19.78 | 17.00 |

5. Consumption per unit of production

| | | |
|-------------------------------------|------|------|
| CARBONBLACK | | |
| (i) Electricity (KWH/MT) | 374 | 375 |
| (ii) Furnace oil (Ltr./MT) | — | — |
| (iii) Coal | — | — |
| (iv) Others – process steam (MT/MT) | 0.74 | 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-B**Research & Development (R&D)****1. Specific areas in which R&D carried out by the Company:**

- Development of new grades of Industrial Blacks for import substitution.
- Improvement of product characteristics to meet more stringent customer specifications.
- Continuous recasting of Standard Operating Procedures.

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

- Improved overall market share.

3. Future Plan of Action:

- Development of specialised grades for specific applications.

4. Expenditure on (R&D):

| | (Rs. in Lakhs) | |
|---------------|----------------|---------------|
| | Current Year | Previous Year |
| (a) Capital | 25.72 | 19.64 |
| (b) Recurring | 136.69 | 80.15 |
| (c) Total | 162.41 | 99.79 |

Phillips Carbon Black Limited

4. Expenditure on (R&D):

| | (Rs. in Lakhs) | |
|--|----------------|---------------|
| | Current Year | Previous Year |
| (d) Total R&D Expenditure as a percentage of total expenditure | 0.31 | 0.21 |

Technology absorption, adaptation, innovation:

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

- In house debottleneck activities carried in major equipment to improve production capacity.

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

- Product capacity has increased by around 15%.

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

- (a) Technology Imported : Modern High Temperature Technology from M/s. Columbian Chemicals Co. USA.

- (b) Year of Import : 1988/1998

- (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:

Exports grew by 33% during the year. Capacity is being enhanced for major thrust on exports.

- (b) Total foreign exchange used and earned:

| | (Rs. in Lakhs) | |
|-------------------------|----------------|---------------|
| | Current Year | Previous Year |
| Foreign Exchange used | 16081.08 | 12361.02 |
| Foreign Exchange earned | 5339.91 | 4018.62 |

For and on behalf of the Board


Sanjiv Goenka
Chairman

Kolkata
16 December, 2003

Particulars of Employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 30th September, 2003.

| Name (Age) | Designation | Remuneration (Rs.) | Qualification, Total service experience (Years) | Date of Commencement of Employment | Last Employment held before joining the Company | Designation |
|------------------------|------------------------------------|--------------------|---|------------------------------------|---|-----------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Mr. S. Sahgal (58) | Managing Director | 4538876 | B. Sc. (Mech. Engg.) (38) | 01.06.92 | Remington Rand of India Ltd. | Vice-President - Marketing |
| Mr. A. Banerjee (40) | Vice-President - Finance | 2587578 | B. Com., ACA, ACS (16) | 16.08.01 | ITC Ltd. | Finance Controller |
| * Mr. V. K. Dubey (48) | Vice-President - Manufacturing | 1379873 | M. Sc. (27) | 21.03.03 | Alexandria Carbon Egypt | Vice-President - Production |
| Mr. R. K. Jha (53) | Vice-President - Corporate Affairs | 3191038 | M. Com., FCA. (33) | 25.05.72 | Duncan Brothers & Co. Ltd. | Junior Executive - Accounts |

Notes: 1. Remuneration was calculated on the basis of Section 198 of the Companies Act, 1956 and includes expenditure incurred by the Company on salary and for provision of benefits to the above employees except in the case of certain categories of staff who are provided with Company owned accommodation where the benefits have been evaluated on the basis of Income Tax Rules.

2. All appointments are/were contractual.

3. Terms of employment provide for termination of service by either party upon giving 1/3/6 months notice, as applicable.

4. None of the employees listed above is a relative of any of the Directors of the Company.

* Employed for part of the year.

For and on behalf of the Board


Sanjiv Goenka
Chairman

Place: Kolkata
Date: 16 December, 2003