

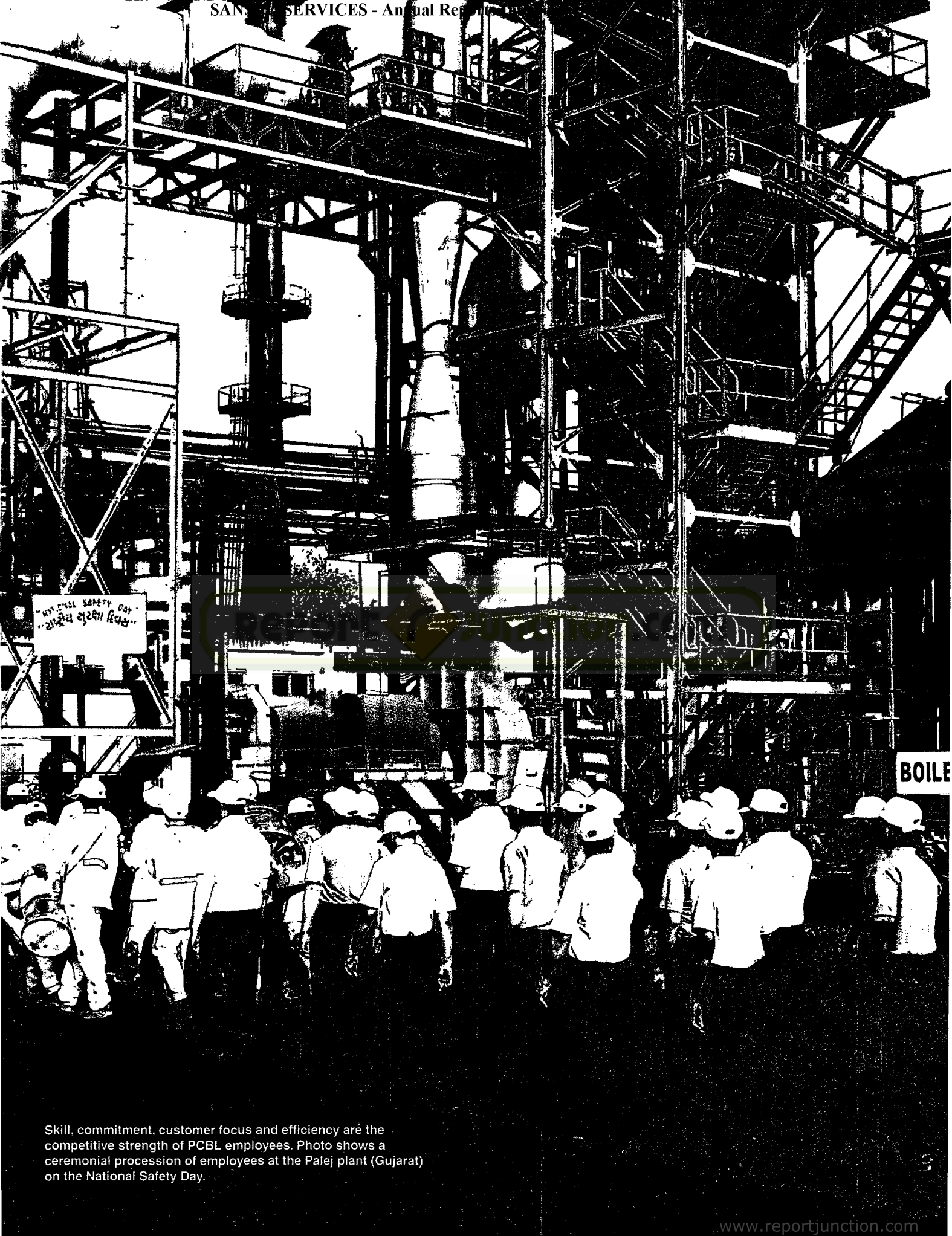


**Phillips Carbon Black Limited**

Report

**Report & Accounts 2007-2008**

[www.reportjunction.com](http://www.reportjunction.com)



Skill, commitment, customer focus and efficiency are the competitive strength of PCBL employees. Photo shows a ceremonial procession of employees at the Palej plant (Gujarat) on the National Safety Day.



## Phillips Carbon Black Limited

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Cover : The 110-meter tall PCBL chimney for its 30 MW co-generation power plant is a new landmark at Durgapur, West Bengal. The power plant is scheduled to be ready by July, 2008.

Dr R P Goenka  
Chairman Emeritus

### Board of Directors

Mr Sanjiv Goenka, Chairman  
Mr B M Khaitan  
Mr C R Paul  
Dr Ram S Tarneja  
Mr K S B Sanyal  
Mr Paras K Chowdhary  
Mr O P Malhotra  
Mr Ashok Goyal, Managing Director

### Company Secretary

Mr Kaushik Mukherjee

### Banks

Bank of Baroda  
Allahabad Bank  
State Bank of Bikaner & Jaipur  
Export Import Bank of India  
IDBI Bank Limited  
State Bank of India  
ICICI Bank Limited  
State Bank of Travancore  
Syndicate Bank  
Citibank, N. A.

### Auditors

Price Waterhouse  
Chartered Accountants

### Solicitors

Khaitan & Co.

### Registered Office

31 Netaji Subhas Road  
Kolkata 700 001

## Notice

Notice is hereby given that the Forty-seventh Annual General Meeting of the Members of Phillips Carbon Black Limited will be held at "Madhusudan Mancha", 2 No. Gariahat Road (South), Dhakuria, Kolkata - 700 068 on Wednesday, the 30th day of July, 2008 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 31st March, 2008, the Balance Sheet as at that date, and the Reports of the Directors and Auditors.
2. To declare Dividend for the year ended 31st March, 2008.
3. To appoint a Director in place of Dr. Ram S Tarneja, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K.S.B. Sanyal, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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:

6. (As a Special Resolution)

"Resolved that the Articles of Association of the Company be altered by substituting the first sentence of Article 125 by the following new sentence:

The Board shall provide for the safe custody of the Seal and the Seal shall never be used except under the authority previously given by the Board or a Committee of the Board authorised by the Board in that behalf and one Director or such other person as the Board may appoint shall sign every instrument to which the Seal is affixed."

7. (As a Special Resolution)

"Resolved that the Share Capital of the Company be and is hereby increased from Rs. 31,50,00,000/- divided into 3,15,00,000 Equity Shares of Rs. 10/- each to Rs. 50,00,00,000/- divided into 5,00,00,000 Equity Shares of Rs. 10/- each by creation of 1,85,00,000 new Equity Shares of Rs. 10/- each and that Clause 5 of the Memorandum of Association of the Company be altered as follows :

The words and figures 'The Capital of the Company is Rs. 31,50,00,000 divided into 3,15,00,000 Equity Shares of Rs. 10/- each' be replaced by the words and figures 'The Share Capital of the Company is Rs. 50,00,00,000/- divided into 5,00,00,000 Equity Shares of Rs. 10/- each.'

8. (As a Special Resolution)

"Resolved that the Articles of Association of the Company be altered as follows:

Article 4 be substituted by the following Article 4 :

4. The Share Capital of the Company is Rs. 50,00,00,000/- divided into 5,00,00,000 Equity Shares of Rs. 10/- each."

9. (As a Special Resolution)

"Resolved that pursuant to Section 198, 309 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") including any statutory modification(s) or

re-enactment thereof and subject to all permissions, sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the payment of commission to the Director(s) of the Company who is/are not in the whole time employment of the Company, in accordance with and up to the limits laid down under the provisions of Section 309(4) of the Act computed in the manner specified in the Act, for a period of 5 years commencing from the financial year 1st April, 2008, in such manner and up to such extent as the Board of Directors and/or Remuneration Committee constituted by the Board of Directors may determine from time to time.

Resolved further that for the purpose of giving effect of this resolution, the Board of Directors and/or Remuneration Committee of the Board of Directors be and are hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in this regard."

Registered Office :  
31, Netaji Subhas Road  
Kolkata-700 001  
28th April, 2008

By Order of the Board  
  
Kaushik Mukherjee  
Company Secretary

### NOTES :

1. 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.
2. **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.**
3. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
4. The Register of Members of the Company shall remain closed from 18th July, 2008 to 30th July, 2008 (both days inclusive).
5. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.
6. The Company has transferred all unclaimed or unpaid Dividend declared upto the financial year ended 30th September, 2000 to the Investor Education and Protection Fund (IEPF) of the Central Government pursuant to Section 205A(5) of the Companies Act, 1956.
7. Dividends for the financial year ended 30th September, 2001 and thereafter, which remain unclaimed or unpaid for a period of seven years will be transferred to the IEPF under Section 205A(5) of the Act. Members who have not encashed the dividend warrant(s) so far for the financial year ended 30th September, 2001 or any subsequent financial years are requested to submit 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 be entertained in respect thereof. The dividend



## Phillips Carbon Black Limited

for the financial year ended 30th September, 2001 is due to be transferred to the aforesaid Fund immediately after 26th April, 2009.

8. 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 made available on request.
9. If the dividend as recommended by the Board of Directors, is declared, at the Meeting, will be paid on and from 4th August, 2008 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) Ltd. at the close of business on 17th July, 2008.
10. 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 Registrars and Share Transfer Agent/ Share Department of the Company in respect of physical shares accounts.

In case the mailing address mentioned on the Attendance Slip is without the PINCODE, Members are requested to kindly inform the PINCODE immediately.

11. Brief Profile of Directors seeking re-appointment at the Annual General Meeting is annexed to this Notice.

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

#### Item No. 6

Article 125 of the Articles of the Association of the Company dealing with affixation of the Company's Common Seal ("the Seal") provides for one Director at least shall sign every instrument to which the Seal is affixed. In terms of the said Article, the Board of Directors of the Company ("the Board") may authorise any one Director to sign the said instrument. For the sake of operational convenience, the aforesaid Article is now proposed to be altered whereby, in addition to the aforesaid existing provisions, the Board may authorize any other person to sign any instrument to which the Seal has to be affixed.

The Special Resolution under Item No. 6 of the Notice is to be considered accordingly.

A copy of the Articles of Association along with the proposed alteration may be inspected by any member at the Registered Office of the Company on any working day prior to the date of the Meeting between the hours of 10.00 A.M. and 12.00 Noon and will also be available for inspection from 10.00 A.M. at the place and date of the Annual General Meeting.

No Director is interested or concerned in the said Resolution and the Board recommends that the same be passed.

#### Item No. 7

The Authorized Share Capital of the Company is presently Rs. 31,50,00,000/- divided into 3,15,00,000 Equity Shares of Rs. 10/- each.

Pursuant to the provisions of Sections 16 and 94 of the Companies Act, 1956 read with Article 48 of the Articles of Association of the

Company, the contents of its Memorandum of Association may be altered to increase the Authorized Share Capital by means of creation of new shares. The Company may be required to issue additional shares to augment its fund requirements. Accordingly, it is further proposed to increase the Authorized Share Capital of the Company to Rs. 50,00,00,000/- by creation of 1,85,00,000 new equity shares of Rs. 10/- each. The Special Resolution under Item No. 7 of the Notice is to be considered accordingly.

The Board of Directors of the Company recommends that the Special Resolution be passed. No Director of the Company is concerned or interested in the above Special Resolution.

#### Item No. 8

In view of the proposed alteration of the Authorized Share Capital of the Company as referred to in the Special Resolution under Item No.7 of the Notice, it is consequently proposed to alter the Articles of the Association of the Company by a Special Resolution under Item No. 8 of the Notice.

The Board of Directors of the Company recommends that the Special Resolution be passed. No Director of the Company is concerned or interested in the above Special Resolution.

#### Item No. 9

The business of the Company is expanding at a very fast pace. The non-executive Directors of the Company with varied and rich background contribute in a significant way for this growth process and they do not draw any remuneration from the Company other than sitting fees. The Board therefore, recognizes the need to suitably remunerate the Director(s) of the Company who are not in the whole time employment of the Company. In view of the same, it is proposed to pay commission to the non-executive Director(s) in accordance with the provisions of the Companies Act, 1956 as may be modified from time to time.

Currently as per the provisions of Section 198, 309 and all other applicable provisions of the Companies Act, 1956, consent of members is required for payment of commission to the Director(s) of the Company who is/are neither in the whole time employment nor managing director(s) up to a ceiling of 1% (if the Company has a managing or whole time director or manager) or 3% (if the Company has no managing or whole time director or manager) of the net profits of the Company computed in the manner specified in the Act or such other limit as may be approved by the Central Government.

Accordingly, approval of the Members is requested to remunerate the non-executive Director(s) every year upto a period of five years commencing from the financial year 1st April 2008, with commission in accordance with the provisions of the Companies Act, 1956 as may be modified from time to time. The said commission will be apportioned amongst the non-executive Director(s) as determined by the Board of Directors and/or Remuneration Committee of Directors of the Company.

The Board of Directors accordingly recommends the Resolution set out at Item No. 9 of the Notice.

All the non-executive Directors of the Company, may be deemed to be concerned or interested in this Resolution to the extent of commission that may be payable to them from time to time.

Registered Office :  
31, Netaji Subhas Road  
Kolkata-700 001  
28th April, 2008

By Order of the Board  
  
Kaushik Mukherjee  
Company Secretary

**Brief Profile of Directors seeking re-appointment at the Annual General Meeting****Dr. Ram S. Tarneja**

Date of Birth	7th December, 1931
Expertise in Specific Functional Areas	Dr. Ram S. Tarneja was the Managing Director of Bennett, Coleman & Co. Ltd. until May, 1991 and continues to be on the Board. His present Chairmanships include, among others, that of Jollyboard Ltd., Nissin ABC Logistics Pvt. Ltd., Mohandevi Tarneja Memorial Trust, The Filmfare Old Artistes Benevolent Fund, Pan Asian Management & Rural Research Organisation and The EFI Social & Labour Research Foundation
Qualification	B. A. (Hons.) Delhi, M. A (Delhi and Virginia), Ph. D (Cornell)
Directorship held in other Companies	NESCO Limited, Otis Elevator Company (I) Ltd., Jollyboard Ltd., Bharat Gears Ltd., Bennett, Coleman & Co. Ltd., Housing Development Finance Corporation Ltd., GATI Ltd., ITC Limited, Transcorp International Ltd., Phoenix Township Limited, SOWIL Limited, GIVO Limited, Arim Metal Industries Pvt. Ltd., Nissin ABC Logistics Pvt. Ltd. and Engineering Projects (India) Ltd.
Committee Membership in other Companies	Chairman of Audit Committee of Bennett, Coleman & Co. Ltd., and Engineering Projects (India) Ltd., Member of Audit Committee of Bharat Gears Ltd., GATI Ltd., NESCO Limited, Otis Elevator Company (I) Ltd., Transcorp International Ltd.  Chairman of Shareholders/Investors Grievance Committee of Housing Development Finance Corporation Ltd.
Shareholdings in the Company	Dr. Ram S. Tarneja does not hold any share in the Company.

**Mr. K. S. B. Sanyal**

Date of Birth	1st December, 1932
Expertise in Specific Functional Areas	Mr. K. S. B. Sanyal was the Chairman and Managing Director of Andrew Yule & Co. Limited. He was also the Sheriff of Calcutta.  He is presently associated with various Companies as independent professional Director and is a Member of Governing Body of Help Age India.
Qualification	MA, CBIM, FIP (LONDON)
Directorship held in other Companies	IFGL Refractories Ltd., Titagarh Steels Ltd., Woodlands Medical Centre Limited, Titagarh Papers Ltd., Bhatpara Papers Ltd.
Committee Membership in other Companies	Chairman of Audit Committee of IFGL Refractories Ltd., and Member of Audit Committee of Titagarh Steels Ltd.  Chairman of Shareholders/Investors Grievance Committee of IFGL Refractories Ltd., and Member of Shareholders/Investors Grievance Committee of Titagarh Steels Ltd., and Bhatpara Papers Ltd.
Shareholdings in the Company	Mr. K. S. B. Sanyal does not hold any share in the Company.

## Phillips Carbon Black Limited

### Directors' Report, Management Discussion and Analysis

Your Directors have pleasure in presenting the Forty-seventh Report and Accounts of Phillips Carbon Black Limited for the year ended 31st March, 2008.

#### FINANCIAL HIGHLIGHTS

	(Rs. in crore)	
	31.03.08	31.03.07
Carbon black	1018.25	988.07
Power	14.94	10.55
Other Income	6.12	4.09
Total Turnover	1039.31	1002.71
PBDIT	152.37	97.51
Less: Interest	19.45	32.60
PBDT	132.92	64.91
Less: Depreciation	20.14	20.36
PBT	112.78	44.55
Tax expense	23.47	21.02
PAT	89.31	23.53
Surplus brought forward	35.84	19.99
Profit available for Appropriation	125.15	43.52
Proposed Dividend	10.10	5.05
Tax on proposed dividend	1.72	0.86
Transfer to General Reserve	9.00	1.77
Balance carried forward to next year	104.33	35.84

#### DIVIDEND

Your Directors recommend for approval of Members at the ensuing Annual General Meeting a dividend of 40% on the paid up share capital of the Company which will absorb Rs. 10.10 crore. The tax on dividend to be borne by the Company will be Rs. 1.72 crore.

#### INDUSTRY STRUCTURE & DEVELOPMENT

Global demand for carbon black is estimated at 9.50 to 10 million MT. The Asia-Pacific region accounts for 50% of global demand for carbon black, 47% is almost equally divided between America and Europe, whereas demand from Africa and Middle-East is less than 3%. Global carbon black capacity is estimated between 10.50 and 11 million MT. Asia-Pacific has 50% of the aforesaid capacity, America 26%, Europe 21%, while Africa and Middle East account for the remaining 3%. The industry being highly freight intensive, regional demand-supply situation has stronger influence on pricing than global demand-supply. China and India registered double digit demand growth on the back of strong rise in domestic economy, investment in road infrastructure and increasing vehicle population. The rest of the world clocked 3.5% growth.

In India, carbon black demand rose by 11% in FY08, while production increased by 7%. There has been no significant capacity expansion during last 5 years, except 70,000 MT expansion by your Company in 2004 and 60,000 MT by the other major player in 2007. Carbon black manufacturers in

India are operating at almost full capacity. Therefore, substantial part of the incremental demand during FY08 had to be met through import. Your Company had to curtail export volume to meet increasing domestic demand. Capacity constraint in the industry is expected to continue in near future, as all major Indian tyre companies have undertaken capacity expansion.

#### PERFORMANCE

##### Carbon Black

Your Company achieved the highest ever operating margin (PBDIT) of 14.66% during FY08, as compared to 9.73% in previous year. Company's profit before tax convincingly entered the three digit trajectory during FY08 i.e. Rs. 112.78 crore. Despite modest growth in top line and volatility in feedstock price, profitability increased substantially due to beneficial impact of various operational efficiency measures implemented in the recent past, better working capital management and cost management, particularly logistics and finance cost.

##### Power

Revenue from the power segment during FY08 was Rs. 14.94 crore, excluding revenue from carbon credit, reflecting 42% growth over previous year. The rise in revenue was achieved due to selling price revision coupled with higher saleable power. During FY08, substantial work relating to 30 MW co-generation power plant at Durgapur was completed. The plant is expected to be commissioned during July, 2008.

##### Manufacturing

Production volume during FY08 was 250,484 MT, compared to 244,900 MT during FY07. The green field project at Mundra (Gujarat), expected to be commissioned during FY09, will provide substantial boost to the Company's manufacturing capacity and help it meet higher domestic demand and raise export volume. The plant at Cochin was awarded ISO 14001 certification during FY08.

##### Research & Development

Research & Development received major attention during FY08, when various special grade carbon blacks were developed for plastic and paint industries. The quality of these grades are comparable to those offered by other global players.

##### Environment, Health, Safety & Social Responsibility

Your Company took several initiatives to reach greater heights in Environment, Health and Safety (EHS). Progressing towards the desired goal, your Company initiated new policies for greener surroundings.

At all manufacturing locations, the Company strictly adhered to the Environment, Health and Safety norms resulting in improved Environment.

Efforts to incorporate ideal Corporate Social Responsibility continued during FY08, which included Pulse Polio Immunization Programme, Free Eye Check-up Camps, Rural Area Development, Free distribution of Medicines at Medical Camps,

Aids Awareness Programme and support to some institutions involved in social service.

In the current scenario of global pollution threat, your Company has prepared itself towards a greener tomorrow by becoming the first carbon black Company in the world to receive Carbon Credits from the United Nations for its co-generation power plant at Baroda.

#### Human Resource Development

Human Resources continue to be a focus area for your Company. Several initiatives were taken to facilitate the performance and developmental requirements of all employees. A performance planning process based on the globally acclaimed Balance Business Scorecard method was introduced. This was supported by a "pay for performance" recognition system to motivate employees to perform at levels higher than the preceding year.

The Company's manpower requirement for all the new expansions has been carefully planned and recruitment for critical positions has been completed.

The industrial relations scenario continues to be healthy.

#### Internal Control System and Adequacy

Your Company has established adequate internal control systems in all areas of operation by utilizing the services of internal and external auditors, as also its in-house resources. The Company continuously upgraded these systems in line with the best available practices. Reports and variance analysis were regularly discussed at Management Committee meetings and actions taken. Operational Reports are tabled at each Board meeting, after discussion by the Audit Committee.

An independent Audit Committee of the Board reviews the adequacy of internal control.

#### Opportunities and Threats

Your Company constantly examines the opportunities and threats that exist in its business and is geared to undertake course corrections wherever necessary.

##### Opportunities

- The growth in domestic economy and automobile industry should create higher demand for carbon black.
- The national thrust on road infrastructure should further increase demand for tyres and consequently demand for carbon black.
- India is likely to emerge as a major auto sector hub for smaller cars. This should also have a favorable impact on demand for carbon black.
- The Company can convert lean gases (which are currently flared) to generate electricity and add to profitability.

##### Threats

- Carbon black import.
- Inadequate infrastructure at ports, resulting in detention of vessels and higher transportation cost.

#### Segmentwise Performance

The performance of Carbon Black and Power segments have been covered in this Report earlier.

#### Risks and Concern

The raw material for the Company (carbon black feedstock) is residue oil from extraction process (of crude) and has witnessed volatility. However, the Company's business model demonstrated robustness during such period. Further, share of profit from the power segment which is increasing every year will grow further with the commissioning of the 30 MW co-generation power plant at Durgapur.

The Company is exposed to risks from market fluctuations of foreign exchange, interest rate and regulations relating to environment.

#### Major Expansion Plans

Civil work for the Company's 30 MW co-generation power plant at Durgapur was completed during the year. All equipment have been delivered at site. The project is expected to be commissioned during July, 2008. The evacuation line, being set up by a State owned utility, is expected to be completed during July, 2008.

The Company has also embarked upon a green field project at Mundra, Gujarat and a brown field project at Kochi, Kerala. At Mundra, the expected annual carbon black capacity will be 90,000 MT, while its power generation plant will have a capacity of 16 MW. At Kochi, the expected additional carbon black capacity is 50,000 MT and power 16 MW. The total project cost, estimated at Rs. 390 crore, will be funded through a debt-equity ratio of 1 : 1.

Your Company also signed an MOU to examine the feasibility of setting up in Vietnam a Carbon Black facility of 50,000 MT along with a co-generation power plant of 16 MW.

#### Preferential issue

Pursuant to SEBI guidelines and necessary approval of members, the Company allotted 30,00,000 convertible warrants of Rs.149/- each on 15th March, 2007, with an option to subscribe to one equity share of Rs.10/- each at a premium of Rs.139/- per share fully paid up within 18 months from the date of allotment.

#### FUTURE OUTLOOK

##### Carbon Black

During FY08 major tyre companies either embarked upon or announced expansion plans. A couple of tyre companies are in the process of reviving operations. One of the top 10 global tyre companies has also announced its plan to set up manufacturing facilities in North India. All these projects are expected to be commissioned during the next 2 to 3 years. To keep pace with rising domestic demand, your Company undertook substantial expansion during FY08. It is creating new capacity at Mundra, Gujarat. This is expected to be commissioned during FY09. The expansion at Kochi is expected to be completed during FY10. Manufacturing capacity



## Phillips Carbon Black Limited

of 140,000 MT will be added during next 18 months, taking total capacity to 410,000 MT.

### Power

During FY09 the total installed power plant capacity at Durgapur will increase from 18.50 MW to 48.50 MW and consequently saleable power will jump more than three folds from the current 7.50 MW.

Further, co-generation power plants have been planned at Mundra and Kochi with aggregate capacity of 32 MW. These are scheduled to be commissioned during FY10.

Profit from the power segment will increase substantially from FY09 onwards.

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

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with 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 Deposits

The Company does not have any Fixed Deposit Scheme and have repaid all Fixed Deposits that matured and were claimed by depositors under the earlier Fixed Deposit Schemes. Matured unclaimed deposits as on 31st March, 2008 is Rs. 7,34,000/-. Apart from matured unclaimed deposits, no amount is outstanding as on 31st March, 2008. Reminders have been sent to all depositors who have not claimed repayment.

### Particulars of Employees

Pursuant to the provision of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the Particulars of Employees, though forming part of this Report is not being mailed to members and the same is available for inspection at the Registered Office of the Company during working hours for a period of twenty-one days before the date of AGM. Any member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office.

### 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 Annual Report.

### Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) appropriate accounting policies have been selected and

applied 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 financial year and of profit or loss of the Company for the period;

- iii) proper and sufficient care have been taken, for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

### Auditors

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

### Cost Audit

The Central Government had directed an audit of the cost accounts maintained by the Company in respect of carbon black. The Central Government approved the appointment of M/s. Shome & Banerjee, Cost Accountants, for conducting the cost audit for the financial year ended 31st March, 2008.

M/s. Shome & Banerjee, Cost Accountants, have given their consent for conducting the audit of the cost accounts of the Company for the financial year ending 31st March, 2009, if appointed.

### Directors

Dr. Ram. S. Tarneja and Mr. K. S. B Sanyal retire by rotation and being eligible offer themselves for re-appointment.

### Forward- Looking Statement

This Report contains forward-looking statements that involve risks and uncertainties. Actual results, performance or achievements could differ materially from those expressed or implied in such forward-looking statements. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand-supply and price conditions, foreign exchange fluctuations, changes in government regulations, tax regimes and other statutes.

### Acknowledgement

Your Directors record their thanks for the encouragement, assistance and co-operation received from shareholders, government authorities, financial institutions, banks and customers. They also thank them for the trust reposed in the Management. Finally your Directors thank all employees for their commitment and contribution.

For and on behalf of the Board

Kolkata  
28th April, 2008

**Sanjiv Goenka**  
Chairman

## Annexures to 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 31st March, 2008.

## 1.A. Conservation of Energy

## (a) Energy conservation measures taken:

The process of manufacture of Carbon Black results in generation of lean gases which have both sensible heat and low calorific value.

Instead of wasting the energy, PCBL installed extremely specialised and state of the art 12MW Co - generation Power Plant (CPP) at Baroda.

The entire lean gas is used to generate power for meeting its entire internal process requirement for production of Carbon Black as well as to sell surplus 7 MW - 7.5 MW to the Grid.

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

Experience gathered from Baroda CPP is being extended to the Durgapur plant where a 30 MW CPP is being set up and is expected to be operational during July, 2008.

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

– Power (KWH) consumed per MT of Carbon Black reduced from 334 to 319.

## (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
<b>A. Power and Fuel consumption :</b>		
<b>1. Electricity</b>		
(a) Purchased units (KWH)	8130242	7792280
Total amount (Rs. in lakhs)	505.47	400.22
Rate per unit (Rs.)	6.22	5.14
(b) Own generation		
(i) Through diesel generators units (KWH)	88450	291196
Units per ltr. of diesel oil (KWH)	1.31	2.31
Cost per unit (Rs.)	25.23	
(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 (lean-gas burning) units (KWH)	71607201	73656770
Units per ltr. of fuel oil (KWH)	339.57	383.79
Cost per unit (Rs.)	0.16	0.14

	Current Year	Previous Year
<b>2. Coal (specify quality and where used)</b>		
Quantity (tonnes)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate (Rs.)	—	—
<b>3. Furnace Oil</b>		
Quantity (K. ltr.)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate (Rs.)	—	—
<b>4. Others/internal generation</b>		
[process steam Quantity (MT)]	97358	97694
Total Cost (Rs. in lakhs)	17.02	18.74
Average rate (Rs.)	17.48	19.18
<b>5. Consumption per unit of production :</b>		
<b>CARBON BLACK</b>		
(i) Electricity (KWH/MT)	319	334
(ii) Furnace Oil (Ltr./MT)	—	—
(iii) Coal	—	—
(iv) Others – process steam (MT/MT)	0.39	0.40

## B. Technology Absorption :

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

## Form – B

Form for disclosure of particulars, with respect to absorption :

## Research &amp; Development (R&amp;D) :

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

- PCBL has successfully developed new grades for international and domestic markets.
- 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&amp;D :

- Improved sales in domestic and export market.
- Higher price realisation in markets.

## 3. Future Plan of Action :

- Development of specialised grades for specific applications in conjunction with customers needs.

## 4. Expenditure on R&amp;D :

	(Rs. in Lakhs)	
	Current Year	Previous Year
(a) Capital	—	—
(b) Recurring	309.15	58.21
(c) Total	309.15	58.21
(d) Total R&D Expenditure as a percentage of total expenditure	0.33	0.06