



Phillips Carbon Black Limited

Report & Accounts 2012-13



The new 50,000 mtpa carbon black softline at Kochi.



Phillips Carbon Black Limited

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Board of Directors

Mr Sanjiv Goenka, Chairman
Mr Ashok Goyal, Managing Director & CEO
Mr Kaushik Roy, Managing Director
— Carbon Black Business
Mr C R Paul
Mr O P Malhotra
Dr Ram S Tarneja
Mr K S B Sanyal
Mr Paras K Chowdhary
Mr Pradip Roy

Company Secretary

Mr Kaushik Mukherjee

Banks

Bank of Baroda
Allahabad Bank
State Bank of India
State Bank of Bikaner & Jaipur
IDBI Bank Limited
State Bank of Travancore
Export Import Bank of India
ICICI Bank Limited
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 Fifty-second Annual General Meeting of the Members of Phillips Carbon Black Limited will be held at "Vidya Mandir", 1, Moira Street, Kolkata - 700017 on Friday, the 26th July, 2013 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, 2013, 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, 2013.
3. To appoint a Director in place of Mr. C R Paul, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Paras K Chowdhury, 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 resolution:

6. (As a Special Resolution)
"Resolved that in accordance with the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII thereto, and other applicable provisions, if any, and any amendment or modification thereof, and subject to such other approvals as may be necessary, the Company hereby approves the re-appointment of Mr. Ashok Goyal, as Managing Director of the Company for a further period effective from 23rd October, 2012 till 31st March, 2014 on the terms and conditions and remuneration as set out in the Agreement, to be executed by the Company with Mr. Ashok Goyal, a draft of which initialed by the Chairman for the purpose of identification is placed before the meeting as also set out in the Explanatory Statement attached to this Notice."
7. (As a Special Resolution)
"Resolved that in accordance with the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII thereto, and other applicable provisions, if any, and any amendment or modification thereof, and subject to such other approvals as may be necessary, the Company hereby approves the appointment of Mr. Kaushik Roy, as Managing Director – Carbon Black Business of the Company (with such other designation or designations as the Board of Directors of the Company may determine and deem fit to give to Mr. Kaushik Roy from time to time) for a period of three years with effect from 5th February, 2013 on the terms and conditions and remuneration as set out in the Agreement, to be executed by the Company with Mr. Kaushik Roy, a draft of which initialed by the Chairman for the purpose of identification is placed before the meeting as also set out in the Explanatory Statement attached to this Notice."

Registered Office :
31, Netaji Subhas Road
Kolkata-700 001
23rd May, 2013

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 19th July, 2013 to 26th July, 2013 (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 National Electronic Clearing Service (NECS) to investors wherever NECS and bank details are available. In the absence of NECS 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 31st March, 2005 to the Investor Education and Protection Fund (IEPF) of the Central Government pursuant to Section 205A(5) of the Companies Act, 1956.
7. No Dividend has been declared for the Financial Year ended 31st March, 2006. Dividend for the Financial Year ended 31st March, 2007 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 31st March, 2007 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 by the Company in respect thereof. The dividend for the financial year ended 31st March, 2007 is due to be transferred to the aforesaid Fund immediately after 2nd September, 2014.
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, the same will be paid on and from 29th July, 2013 to those Members whose names appear on the Company's Register of Members or 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 18th July, 2013.
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 appointment/re-appointment at the Annual General Meeting is annexed to this Notice.

Registered Office :	By Order of the Board
31, Netaji Subhas Road	
Kolkata - 700 001	Kaushik Mukherjee
23rd May, 2013	Company Secretary

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

Item no. 6

The Board of Directors of the Company at its meeting held on 27th July, 2012, re-appointed Mr. Ashok Goyal as Managing Director of the Company for a further period effective from 23rd October, 2012 till 31st March, 2014, subject to approval of the members of the Company in a general meeting and such other approvals as may be necessary.

Mr Ashok Goyal is a Mechanical Engineer from IIT, Kharagpur and MBA (Finance) from IIM, Kolkata. He also successfully completed Accelerated Development Program from London Business School.

During his tenure, Mr. Ashok Goyal shall be entitled to receive the following remuneration:

Basic Salary	: Rs. 5,73,460/- per month
Management Allowance	: Rs. 5,73,460/- per month
Customised Allowance Pool	: Rs. 8,24,534/- per month

Perquisites:

In addition to the above remuneration, Mr. Ashok Goyal shall be entitled to the following perquisites:

- Personal accident insurance, encashment of leave at the end of the tenure of service, club fees, medical insurance and privilege leave on full pay and allowance etc. in accordance with the Rules of the Company.
- Subject to any statutory ceiling, Mr. Ashok Goyal may be given any other allowance, performance bonus/incentive, perquisites, benefits and facilities as the Board of Directors of the Company may from time to time decide.
- Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In absence of any such rule, the perquisites shall be evaluated at actual cost.
- Company's contribution to the Provident Fund and Superannuation Fund shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the provisions of Income Tax Act.

Gratuity: One half of a month's salary for each completed year of service in accordance with the Rules of the Company.

General Exemption: Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, Gratuity payable and Leave encashment at the end of the tenure shall not be included in the computation of the ceiling on Remuneration under Schedule XIII of the Companies Act, 1956.

Provisions of cars with driver for use on Company's business and telephone will not be considered as perquisites. Personal long distance calls and use of cars for private purpose shall however be billed by the Company on actuals.

Payment of the above remuneration to Mr. Ashok Goyal has been approved by the Remuneration Committee of the Board duly held on 27th July, 2012 and will be in accordance with Schedule XIII to the Companies Act, 1956, as applicable.

The terms and conditions of the said re-appointment may be altered and varied from time to time by the Board of Directors as it may, in its discretion, deem fit within the maximum amount payable to Mr. Ashok Goyal in accordance with the provisions of the Companies Act, 1956 or any amendment made therein or with the approval of the Central Government, if required.

Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure of the appointment, Mr. Ashok Goyal will be entitled to draw the subsisting remuneration as Minimum Remuneration subject to the provisions of Schedule XIII of the Companies Act, 1956.

Mr. Ashok Goyal does not have any interest in the capital of the Company, directly or indirectly or through any other statutory structures, nor has any direct or indirect interest nor is related to any of the directors or promoters of the Company at any time during last two years before or on the date of the re-appointment and possesses requisite qualification and expertise with specialized knowledge in the field of his profession.

The Agreement to be executed by the Company with Mr. Ashok Goyal is available for inspection by members at the Registered Office of the Company between 10.00 a.m to 12.00 noon on any working day of the Company and will also be available at the Meeting.

Approval of the members is being sought for re-appointment of Mr. Ashok Goyal as per item no. 6 of the Notice.

The Directors recommended that the Resolution set out in item no.6 of the Notice be passed in the interest of the Company.

None of the Directors other than Mr. Ashok Goyal is interested in the Resolution.

Item no. 7

Mr. Kaushik Roy was appointed as Managing Director - Carbon Black Business w.e.f. 5th February, 2013 by the Board of Directors of the Company, at its meeting held on 5th February, 2013, subject to the approval of the Members of the Company in a general meeting and such other approvals as may be necessary. The tenure of appointment of Mr. Kaushik Roy is for 3 years from 5th February, 2013.

Mr. Kaushik Roy is a Mechanical Engineer with Post Graduate Degree from IIT Kharagpur and studied Business Administration from the University of Tokyo. He is also an Alumni of IMD, Switzerland.

During his tenure, Mr. Kaushik Roy shall be entitled to receive the following remuneration :

Basic Salary	: Rs. 5,50,000/- per month
Management Allowance	: Rs. 5,50,000/- per month
Customised Allowance Pool	: Rs. 12,44,270/- per month

Perquisites:

In addition to the above remuneration, Mr. Kaushik Roy shall be entitled to the following perquisites:-

- (i) Personal accident insurance, encashment of leave at the end of the tenure of service, club fees, medical insurance and privilege leave on full pay and allowance etc. in accordance with the Rules of the Company.
- (ii) Subject to any statutory ceiling, Mr. Kaushik Roy may be given any other allowance, performance bonus/ incentive, perquisites, benefits and facilities as the Board of Directors of the Company may from time to time decide.
- (iii) Valuation of perquisites shall be done as per the Income Tax Rules, wherever applicable. In absence of any such rule, the perquisites shall be evaluated at actual cost.
- (iv) Company's contribution to the Provident Fund and Superannuation Fund shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the provisions of Income Tax Act.

Gratuity: One half of a month's salary for each completed year of service in accordance with the Rules of the Company.

General Exemption: Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, Gratuity payable and Leave encashment at the end of the tenure shall not be included in the computation of the ceiling on remuneration under Schedule XIII of the Companies Act, 1956.

Provisions of cars with driver for use on Company's business and telephone will not be considered as perquisites. Personal long distance calls and use of cars for private purpose shall however be billed by the Company.

Payment of the above remuneration to Mr. Kaushik Roy has been approved by the Remuneration Committee of the Board duly held on 5th February, 2013 and will be in accordance with Schedule XIII to the Companies Act, 1956, as applicable.

The terms and conditions of the said appointment may be altered and varied from time to time by the Board of Directors as it may, in its discretion, deem fit within the maximum amount payable to Mr. Kaushik Roy in accordance with the provisions of the Companies Act, 1956 or any amendment made therein or with the approval of the Central Government, if required.

Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure of the appointment, Mr. Kaushik Roy will be entitled to draw the subsisting remuneration as Minimum Remuneration subject to the provisions of Schedule XIII of the Companies Act, 1956.

Mr. Kaushik Roy does not have any interest in the capital of the Company, directly or indirectly or through any other statutory structures, nor has any direct or indirect interest nor is related to any of the directors or promoters of the Company at any time during last two years before or on the date of the appointment and possesses requisite qualification and expertise with specialized knowledge in the field of his profession.

The Agreement to be executed by the Company with Mr. Kaushik Roy is available for inspection by members at the Registered Office of the Company between 10.00 a.m to 12.00 noon on any working day of the Company and will also be available at the Meeting.

Approval of the members is being sought for appointment of Mr. Kaushik Roy as per item no. 7 of the Notice.

The Directors recommended that the Resolution set out in item no. 7 of the Notice be passed in the interest of the Company.

None of the Directors other than Mr. Kaushik Roy is interested in the Resolution.

Information required under Clause (iv) of provision to paragraph 1(C) of Section II of Part II of Schedule XIII to the Companies Act, 1956 for item no. 6 and 7

I. GENERAL INFORMATION:

(1) Nature of Industry

The Company is primarily engaged in the manufacture and sale of carbon black, which is used by the rubber industry. The Company also produces and sells excess electric power generated from the low calorific value off gas which is generated in the process of manufacture of carbon Black.

(2) Date or expected date of commencement of commercial production

5th December, 1962.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not applicable.

(4) Financial performance based on given Indicators:

Key financials for last three are given as below:

(Rs. in lakhs)

	Year ended 31.03.2013	Year ended 31.03.2012	Year ended 31.03.2011
Sales (Gross)	253220.38	241056.06	188441.17
Profit/ (Loss) before tax	(4004.43)	10341.87	16435.18
Profit/(Loss) after tax	(2064.99)	8712.16	11628.40
Paid up share capital	3446.72	3446.70	3321.70
Rate of dividend (%)	5%	40%	50%

(5) Export performance and net foreign exchange collaborations:

Earnings in foreign exchange on account of Export sales (F.O.B) during last three years:

(Rs. in lakhs)

Year ended 31.03.2013	Year ended 31.03.2012	Year ended 31.03.2011
58527.72	64298.95	32455.71

(6) Foreign Investments of collaborators, if any

None

II. Information about the Appointee:

(a) MR. ASHOK GOYAL:

(1) Background details:

Mr. Ashok Goyal is a B.Tech from IIT Kharagpur and PGDBM from IIM, Kolkata. His previous assignment was as President, International Business at KEC International Ltd., Mumbai where he significantly contributed in KEC's turnaround. He has rich international experience and has worked in various industries in India and abroad viz. consumer electronics and durables, tyre, plantation, textile, bicycle and EPC contracting. He has attended the Executive Development Program at London Business School and has presented various case studies on turnaround at IIMs.

(2) Past remuneration:

For the year ended 31st March, 2012, Mr. Goyal's total remuneration was Rs. 266.62 lakhs.

(3) Recognition or awards:

Mr. Ashok Goyal, under his captaincy, has made PCBL a jewel in the RP-SG group. He has taken the company through a journey of turnaround and consolidation and the company is now on an ambitious growth path.

As President (International Operations) in KEC International, he contributed significantly in turn around of the company. As General Manager of Harrison Malayalam, he played a pivotal role in turning the division from loss to huge profit.

(4) Job profile and his suitability:

Please see (1) above.

(5) Remuneration proposed:

The remuneration proposed to Mr. Goyal is as set out in the Notice.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of origin):

The remuneration proposed for Mr. Goyal, is reasonably in line with the remuneration in similar sized companies in the same segment of business.

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Mr. Goyal does not have any pecuniary relationship directly or indirectly, with the Company and its managerial personnel that may have potential conflict with the interest of the Company at large.

(b) MR. KAUSHIK ROY:

(1) Background details:

Mr. Kaushik Roy has a vast experience of twenty three years across varied functions in different industries.

Mr. Kaushik Roy is a Mechanical Engineer with a Post Graduate Degree from IIT Kharagpur and studied Business Administration from the University of Tokyo.

He is also an Alumni of IMD, Switzerland.

Mr. Kaushik Roy worked for long years with Apollo Tyres Ltd. from 1990 onwards except for a shorter stint with DLF Cement (now Gujarat Ambuja Cement) from 1994 to 1997. Mr. Roy was Management Board Member of Apollo Tyres Ltd. and Managing Director of Apollo Tyres (Lao) Company Ltd., a natural rubber plantation company.

(2) Past remuneration:

New appointment.

(3) Recognition or awards:

Mr. Kaushik Roy was Indian Tyre Industry Representative on the Industry Body of International Rubber Study Group, Singapore. He was also the Member of Governing Council, RSDC (Rubber Skill Development Centre) India.

Mr. Kaushik Roy is a regular visiting faculty for various Management Institutions and also a speaker in various Conferences held across the globe.

As Managing Director of the Apollo Tyres (Lao) Company Ltd., a natural rubber plantation company, Mr. Kaushik Roy spearheaded the backward integration initiatives of Apollo Tyres into the field of natural rubber plantation.

(4) Job profile and his suitability:

Please see (1) above.

(5) Remuneration proposed:

The remuneration proposed to Mr. Kaushik Roy is as set out in the Notice.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin):

The remuneration proposed for Mr. Kaushik Roy, is reasonably in line with the remuneration in similar sized companies in the same segment of business.

(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Kaushik Roy does not have any pecuniary relationship directly or indirectly, with the Company and its managerial personnel that may have potential conflict with the interest of the Company at large.

III. OTHER INFORMATION:

(1) Reasons of loss or inadequate profits:

PCBL suffered a net loss of Rs. 20.65 crores primarily because of the following reasons:

1. Drop in domestic contribution per MT due to dumping by China coupled with the inability to pass on the cost increase.
2. Drop in export volume and contribution due to slowdown in Europe, as well as dumping by China in South East Asia.

(2) Steps taken or proposed to be taken for improvement:

To remain competitive in the current challenges of economy and industry, the Company has taken following steps in manufacturing and procurement:

- a. Improve yields.
- b. Develop new sources for procurement of raw materials like CBFS and CBO which are contributing by way of better yields and lower prices.
- c. Strengthen marketing, technical functions.
- d. Undertaken initiatives in manufacturing to reduce variability in process.

(3) Expected increase in productivity and profits in measurable terms:

The Company has taken all out measures to reduce costs as well as improve operational efficiency and above all increase the price of carbon black to the extent possible considering the market scenario both domestic and international. Despite the odds, the Company has been maintaining a steady growth and is expected to turnaround sooner than later.

IV. DISCLOSURES:

The required disclosures as to remuneration package, etc. have been appropriately provided in the Report on Corporate Governance, forming a part of this Annual Report which may referred to.

Registered Office :
31, Netaji Subhas Road
Kolkata-700 001
23rd May, 2013

By Order of the Board

Kaushik Mukherjee
Company Secretary

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

Mr. C R Paul

Date of Birth	1st June, 1927
Qualification	M Sc., F I E E
Expertise in Specific Functional Areas	Mr. C R Paul is a noted corporate advisor of RP-SG Group, one of the 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.
Directorship held in other Companies	Kilburn Office Automation Limited.
Committee Membership in other Companies	Member of Audit Committee of Kilburn Office Automation Limited.
Shareholdings in the Company	Mr. C R Paul does not hold any shares in the Company.

Mr. Paras K Chowdhary

Date of Birth	1st October, 1951
Qualification	B.Sc. Physics (Hons.)
Expertise in Specific Functional Areas	Mr Paras K Chowdhary is Director in CEAT Limited. Earlier he was Managing Director of CEAT Limited.
Directorship held in other Companies	CEAT Limited, Sea Princess CHS Limited, CEAT Kelani Holdings (Pvt.) Limited, Associated CEAT Holdings Co. (Pvt.) Limited.
Committee Membership in other Companies	Member of Shareholders/Investors Grievance Committee of CEAT Limited.
Shareholdings in the Company	Mr. Paras K Chowdhary does not hold any shares in the Company.

Mr. Ashok Goyal

Date of Birth	16th December, 1950
Qualification	B.Tech from IIT Kharagpur, PGDBM from IIM, Kolkata, Executive Development Program from London Business School.
Expertise in Specific Functional Areas	Mr. Goyal is having an overall experience of around 38 years. He has rich international experience and has worked in various industries in India and abroad viz. consumer electronics and durable, tyre, plantation, textile and EPC contracting.
Directorship held in other Companies	Phillips Carbon Black Cyprus Holdings Limited, PCBL Netherlands Holdings B.V , RPG Power Trading Company Limited, Phillips Carbon Black Vietnam Joint Stock Company , Harrisons Malayalam Limited.
Committee Membership in other Companies	Member of Audit Committee of RPG Power Trading Company Limited.
Shareholdings in the Company	Mr. Ashok Goyal does not hold any shares in the Company.

Mr. Kaushik Roy

Date of Birth	28th March, 1965
Qualification	Mechanical Engineer with a Post Graduate Degree from IIT Kharagpur, Business Administration from the University of Tokyo.
Expertise in Specific Functional Areas	<p>Mr. Kaushik Roy has a vast experience of twenty three years across varied functions in different industries.</p> <p>Mr. Kaushik Roy worked for long years with Apollo Tyres Ltd. from 1990 onwards except for a shorter stint with DLF Cement (now Gujarat Ambuja Cement) from 1994 to 1997. Mr. Kaushik Roy was Management Board Member of Apollo Tyres Ltd. and Managing Director of Apollo Tyres (Lao) Company Ltd., a natural rubber plantation company.</p> <p>Mr. Kaushik Roy was Tyre Industry Representative on the Industry Body of International Rubber Study Group, Singapore. Mr. Kaushik Roy was also the Member of Governing Council, RSDC (Rubber Skill Development Centre) India.</p>
Directorship held in other Companies	None.
Shareholdings in the Company	Mr. Kaushik Roy does not hold any shares in the Company.

Your Directors have pleasure in presenting the Fifty-second Report and Accounts of Phillips Carbon Black Limited for the financial year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

(Rs. in crore)

Year ended	31.03.13	31.03.12
Revenue -		
- Carbon Black	2192.14	2096.97
- Power	88.58	83.69
- Other Income	9.27	10.44
- Other Operating Revenues	4.19	6.12
Total Revenue	2294.18	2197.22
PBDIT	74.97	210.29
Less: Interest	64.22	58.28
PBDT	10.75	152.01
Less: Depreciation	50.79	48.59
PBT	(40.04)	103.42
Provision for Taxation (Net of deferred tax)	(19.39)	16.30
PAT	(20.65)	87.12
Balance brought forward	278.23	215.85
Profit available for Appropriation	257.58	302.97
Proposed Dividend	1.72	13.79
Tax on aforesaid Dividend	0.29	2.24
Transfer to General Reserve	—	8.71
Balance carried forward to Balance Sheet	255.57	278.23

DIVIDEND

Your Directors recommend for approval of Members at the ensuing Annual General Meeting, a dividend of 5% i.e. @ Re. 0.50/- per share out of past profits, in view of the absence of profit during the year under review, which will absorb Rs. 1.72 crore. The tax on aforesaid dividend to be borne by the Company will be Rs. 0.29 crore.

INDUSTRY STRUCTURE & DEVELOPMENT

While global demand for carbon black remained stable during 2012 at 11.3 million MT, global capacity stood as 14.8 million MT - capacity utilization was 76%.

In India, consumption of carbon black increased 3.9% from 6,70,000 MT in 2011 to 6,95,000 MT in 2012. Total production during 2012 was 6,76,000 MT. Total capacity of the Indian carbon black industry stood at 10,27,000 MT during 2012, with a capacity utilization of 66%.

The domestic carbon black industry was impacted by a

slowdown within the automobile sector as well as by increased dumping of carbon black into India by China and other countries. Total imports of carbon black in India rose to 1,28,000 MT during FY13 from 1,17,000 MT in the earlier year, the major chunk of imports was from China, at 88,000 MT. As a result, domestic sales of carbon black were impacted and all carbon black companies had to undertake production cuts during the second half of the year.

Your Company completed expansion of its 8 MW co-generation power plant at Mundra within the scheduled time and expects to commission shortly the second line of 50,000 MT capacity at Kochi.

PERFORMANCE

Carbon Black

Your Company, made operating profit (PBDIT) of Rs. 74.97 crore in FY 13 vis-à-vis Rs. 210.29 crore in the previous year. Amongst the major reasons for this swing in operating profit are –

1. Drop in domestic contribution per MT due to dumping by China, coupled with the inability to pass on the cost increase.
2. Drop in export volume and contribution due to slowdown in Europe, as well as dumping by China in South East Asia.

Power

Revenue from sale of power was higher in FY13 - Rs. 88.58 crore vis-à-vis Rs. 83.69 crore in FY12. The Company's overall power generation capacity rose to 76 MW with the commissioning of the 8 MW co-generation power plant at Mundra.

Manufacturing

Your Company improved its global ranking to No. 6 (based on year end capacity) during the year. The strategic location of its four plants in different parts of India should facilitate your Company and optimize logistics costs within India and outside.

Research and Development

All the R & D units located at Durgapur, Kochi, Palej and Mundra continue to receive recognition as in-house Research and Development units from the Department of Scientific and Industrial Research, Ministry of Science and Technology.

Your Company successfully - i) developed more new grades for domestic and international markets, ii) improved product characteristics to meet more stringent customer specifications, iii) continued recasting of Standard Operating Procedures iv) State of the Art Rubber Application Laboratory established, v) Reactor design and operating conditions suitably modified to improve yield.