



**RP-Sanjiv Goenka  
Group**

Growing Legacies



**Phillips Carbon Black Limited**



**Annual Report  
2017-18**

**Touching Lives  
in more ways than one**



A person in a dark suit stands with their back to the camera, looking out over a sprawling city skyline at dusk or dawn. The city lights are visible, and a faint, glowing world map is overlaid on the sky. The overall tone is professional and aspirational.

## VISION

A trusted **Global** player providing  
cutting edge solutions to our **Partners**  
and an exciting workplace to our **People**

# REPORT CONTENTS

## COMPANY OVERVIEW

Message from Chairman **02**  
Managing Director's Review **03**  
Reliable Global Player **04**  
Our Strategy Revolves Around  
Consistent Value Creation **06**  
Wide Applications of our Carbon Black **08**  
Robust Integrated Business Framework **10**  
Our Performance Over the Years **12**  
People Propel our Progress **13**  
Enhancing Community Engagements **14**  
Sustainability is Embedded in Our  
Business Model **16**  
Board of Directors **18**  
Leadership Team **19**  
Corporate Information **20**

## STATUTORY REPORTS

Notice **21**  
Boards' Report **29**  
Management Discussion and Analysis **35**  
Report on Corporate Governance **62**  
Business Responsibility Report **79**

## FINANCIAL STATEMENTS

Standalone Financial Statements **86**  
Consolidated Financial Statements **139**  
Statement under Section 129 (3) of the  
Companies Act, 2013 in Form AOC - 1  
Relating to Subsidiary Companies **190**

**We are investing our energy and resources in the right direction to fulfil our vision of being a futuristic global player. Our philosophy is customer-centric and our footsteps are agile.**

We are engaging with our customers at every step to help them make better and more informed choices. At the same time, we are adopting best-in-class technologies for better business integration and faster decision-making.

During the year, our overall performance was encouraging on the back of sustained demand growth nationally and internationally and high capacity utilisation across our four plants. The year also saw enhanced operational efficiencies, cost optimisation and new business opportunities globally.

We are steadily moving up the value chain, expanding our product portfolio and engaging more with esteemed customers. Our upcoming innovation centre will also contribute to new product development, enhanced customisation and streamlined processes. Our sustainability agenda forms an integral part of our strategic priorities.

We are doing all this and more and taking remarkable strides to touch lives of all our stakeholders in more ways than one.

## KEY FINANCIAL ACHIEVEMENTS OF FY18

### Revenue (Gross)

**₹ 2,600 crore**  
22% y-o-y growth

### EBITDA

**₹ 424 crore**  
39% y-o-y growth

### Profit After Tax

**₹ 230 crore**  
229% y-o-y growth

### Earnings Per Share

**₹ 13.33\***  
231% y-o-y growth

\*Face value: ₹ 2 per share

## MESSAGE FROM CHAIRMAN

# A record year of all-round performance



“We successfully continued our growth momentum and achieved an encouraging rise in revenues, as also profit. I continue to be in an optimistic mood.”

### Dear Shareholders,

Writing my letter to you last year, I was so enthused that shedding the usual Chairman's caution, I pledged to elevate PCBL "to the next altitude of value creation".

A year later, I am delighted, that promise has been achieved and defying all the overseas business tension and home competition, PCBL, in FY18, could outperform our expectation.

The pages that follow give you a ball-by-ball picture of your Company's all-round performance, including our record-breaking production of Carbon Black, achieving the highest-ever output from the four plants, the highest-ever turnover, as also profits. It is a pleasure that all our plants well-known for their strategic locations increased their capacity utilisation and achieved encouraging cost-benefits through production efficiencies.

I am sure you will join with me in congratulating the team on selling more of its products after broadening the range. Our Company, now in its 58<sup>th</sup> year, also responded vigorously to the new national slogan – 'Make in India'. While fighting the present, we have not overlooked the future scenario and we have initiated substantial capacity addition during the year. We also are ready for another greenfield project, this time in South India. To summarise, we successfully continued our growth momentum and achieved an encouraging rise in revenues, as also profit. Our cost-efficient operations and the philosophy of prudent inventory management have led to noticeable debt reduction.

It gives me great satisfaction of having achieved record production and exports crossed 30 countries. PCBL also co-generated 450 million units of green power through conversion of lean gas, both for captive consumption and merchant sale.

There is also a good news for all shareholders. The final dividend of 60% (₹ 1.20 per split share of ₹ 2/- each) is in addition to the earlier interim dividend of 60% declared on 24<sup>th</sup> October, 2017, which was ₹ 6/- per equity share of the face value of ₹ 10/- per equity share.

As India prepares to move a fast foot forward to higher efficiency, I continue to be in an optimistic mood. Barring unforeseen developments in international markets, our dynamic team should ideally make FY19 another record-breaking year for PCBL and all its stakeholders.

Yours sincerely,

Sanjiv Goenka

## MANAGING DIRECTOR'S REVIEW

# Meeting customer expectations is our top job



“We are confidently moving up the value chain while expanding our offering of high-performance, high-margin products for both Rubber and Specialty Black applications.”

### Dear Shareholders,

It gives me great pleasure that in FY18, our Company, Phillips Carbon Black Limited, could achieve the goals we set for ourselves. This all-round efficiency is reflected in the accompanying details confirming the Company's higher production, higher sales and higher profitability. The Profit After Tax (PAT) rose by 229 % to ₹ 230 crore, as against ₹ 70 crore in the previous year.

The results achieved in the year under review were the outcome of several achievements, including a bold shift in product mix to higher value-added premium grades, leveraging of expanded product portfolios, as also the expanded geographical reach of PCBL products. All these could be achieved by sharp functional improvements. We are confidently moving up the value chain while expanding our offering of high-performance, high-margin products for both Rubber and Specialty Black applications. Our new policy of closer and more frequent customer interactions helped us to meet customer specific requirements in terms of product specifications and services. I am happy to report that PCBL has entered into more effective collaborations with its customers. We are also ready to further enrich our product offerings and respond more effectively to customer concerns.

Research and Development (R&D) remains a critical pillar of PCBL's value-creation process. The upcoming R&D Centre at Palej, Gujarat will soon give us a global standard infrastructure to be operated by our world-class professionals. This should also enable our pool of experts to develop new products more effectively. Our clear

goal is to partner with customers across the globe and help them introduce more streamlined products.

Keeping an eye on the growing needs of the industries we serve, PCBL is further expanding its annual capacity by 56,000 tonnes at Mundra and 32,000 tonnes at Palej (both in Gujarat). Our clear aim is to complete these two expansions by the second quarter of FY20.

In any modern industry, the quality, commitment and contribution of employees are fundamental components of growth. We have, in our organisation, the proud commitment of our people, as also their dedication. On our part, we are ready to invest further in building a truly performance-driven organisation.

Business success in today's corporate society is something more than manufacturing, selling and making profits. As a responsible corporate citizen, we also deeply value our time-tested relationship with the community. Wherever we do business, it is important. We want to remain constantly conscious of our responsibility as a corporate citizen.

In the light of what PCBL achieved in FY18, we are ready to face the next year with courage and confidence. Our determination is to further improve our performance in the days ahead.

Warm regards,

Kaushik Roy



## RELIABLE GLOBAL PLAYER

Phillips Carbon Black Limited (PCBL), a part of the RP-Sanjiv Goenka Group, is India's largest producer and exporter of carbon black. Our Company was set up in collaboration with a US-based company Phillips Petroleum in 1960.

In 1962, we first commenced our commercial production. We have now achieved an annual production capacity of 5,15,000 MT, along with a capacity to produce energy (76 MW) from tail gas. We have evolved with changing times and today, we provide a comprehensive portfolio of products to meet the specific end requirements across rubber, plastics, coatings, inks and other niche industries globally.

We have more than 58 years of legacy in the Carbon Black industry and operate state-of-the-art integrated manufacturing plants coupled with Quality Assurance (QA) Laboratories at four different geographical

locations across India – Durgapur in West Bengal, Kochi in Kerala and Palej and Mundra in Gujarat. Our technology is an amalgamation of the regional and global best practices absorbed and adopted over the years.

Our technical acumen and R&D focus have enabled us to drive our transformational journey and launch best-in-class solutions to suit changing customer requirements.

Our cutting-edge solutions, after-sales service and strong technical support ensure a loyal customer fraternity from around the world.

## Group lineage

RP-Sanjiv Goenka Group is one of India's illustrious business groups which has diverse interests spread over six business sectors - Power & Natural Resources, Carbon Black, Retail & FMCG, Media & Entertainment, Infrastructure and IT, Education & Sports.



## Manufacturing capabilities

Locations	Carbon Black capacity	Co-generation Power Plant (CPP) capacity
Durgapur, West Bengal	163500 MT/Annum	30 MW
Palej, Gujarat	110250 MT/Annum	12 MW
Kochi, Kerala	92500 MT/Annum	10 MW
Mundra, Gujarat	148750 MT/Annum	24 MW

## Global footprint

We have enhanced our global prominence and have a market footprint across 30+ nations, with decanting stations and warehouses located near customer locations.



## OUR STRATEGY REVOLVES AROUND CONSISTENT VALUE CREATION

We are delivering on customer expectations by leveraging our intrinsic strengths. At the same time, we are building an agile and a customer-centric organisation.

### Competitive Advantages

#### Experience and expertise

For 58+ years, we are playing a significant role in the Carbon Black industry.

We have state-of-the-art manufacturing facilities at four strategic locations in India with an aggregate installed Carbon Black capacity of 5,15,000 MT and Co-generation Power Plant (CPP) capacity of 76 MW.

We offer an expanded portfolio of high-performance, high-margin grades for both rubber and non-rubber applications in collaboration with our customers. We are constantly moving up the value chain to gain market share across all product segments.

#### Reputation and relationships

Over the years, we have established ourselves as one of the reputed Carbon Black brands globally owing to our product customisation, quality excellence and on-time delivery.

We have earned the trust and confidence of our customers and peers through our ethical business practices and conduct, transparency in processes and customer-centric approach.

We work for leading tyre companies around the globe such as Bridgestone, Goodyear, Michelin, Continental, Loadstar, Yokohama, TVS, Nexen, CEAT, MRF, JK, Sumitomo, Apollo, BKT and Kumho. Similarly, our non-rubber customers include prominent names across the globe.

#### Network and know-how

Our strong worldwide network of local distributors and channel partners enables us to leverage their knowledge of local market trends.

Our distributors also help us to understand the preferences of our global clients and instil trust and loyalty among them. Our employees are strategically present at global locations.

Our engineers offer continuous technical support to customers by helping them overcome product-related issues.

We have dedicated teams responsible for engaging customers in joint development projects, which cater to customer-specific requirements.

## Largest

We are the largest exporter of Carbon Black from India

## 92%

We reported 92% of our business from repeat clientele in FY18

## Being awarded

We have received the 'Top Exports' award from All India Rubber Industries Association (AIRIA) for the last five consecutive years



## Growth Strategies

Widening our product base from Rubber Black to value-added Rubber Black and Specialty Black

Focus on national and niche global markets in line with our Vision

Enhanced focus on Research and Development is consistently improving the quality standards of our products and services

Strategic partnership with our customers for product development

### Research and Development accreditations

We have four in-house R&D units that are recognised by the Department of Scientific and Industrial Research (DSIR).

Our Quality Control (QC) and Central R&D Unit at Palej, Gujarat is NABL accredited and is equipped with state-of-the-art facilities, supported by a pool of well-qualified and experienced scientists.

Currently, we are in the process of setting up a new Central R&D Unit, at Palej, Gujarat.

Our manufacturing units are accredited with ISO9001, IATF16949, ISO14001 and OHSAS 18001, ensuring high levels of quality, safety and eco-friendliness.

### Talent and teamwork

At PCBL, we provide our people an exciting workplace. The experience and expertise of our people enable our Company to grow sustainably.

We are enriching our talent pool through selective recruitment, training, motivation and reward and recognition.

### Sustainability

It is crucial to implement sustainable business practices on an everyday basis. Sustainability is at the heart of all our business processes.

We harness the waste gases while manufacturing Carbon Black for producing captive power for our plants as well as reuse treated waste water in the production process. Rain water harvesting is actively pursued.

## 50+ grades

Produces around 50+ grades of Carbon Black, ranging from rubber to Specialty Blacks

## 915

Team strength

## First

We are the world's first Carbon Black company to receive carbon credits from the United Nations Framework Convention on Climate Change (UNFCCC)

## 76<sub>MW</sub>

Green power capacity

## WIDE APPLICATIONS OF OUR CARBON BLACK

Carbon black is the pure elemental carbon found in the form of black powder. It is produced by the thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions. Its unique properties make it useful *inter-alia*, as a reinforcing agent, pigmentation, UV protection and also as an excellent conductive agent.

Carbon black's performance depends on the properties of a specific surface area, particle size and structure, conductivity and colour.

We serve our customers with a complete portfolio of products across American Society of Technical Manufacturers (ASTM) grades, along with customised, high-performance-oriented products catering to our customers' specific requirements across tyres and moulded rubber goods, plastics, coatings, inks and other niche industries globally. Gradually moving up the value chain, we have expanded our

portfolio of high-performance value-added products for both Rubber and Specialty Black applications.

We market our Specialty Black under the brand name – Royale Black. Each of our Specialty Black products has its own personality and functionality, but they have one thing in common: they all symbolise or embody supreme quality. We are one of the three carbon black producers in the world to meet the stringent US FDA requirements for direct/ indirect food contact plastics applications such as plastic food trays and cutlery. Today, our

product range can cover more than 90% of the global demand in plastics applications.

We recently developed medium/ high color blacks under the registered brand name - *Bleumina*. The *Bleumina* series have been developed to cater to the markets of automotive, consumer electronics, home appliances and coatings. Our *Bleumina* series products provide a number of important functionalities on the final products, such as excellent colour strength, good gloss, durability, excellent UV protection and a blue tone, which leads to aesthetic appeal to the end users.

## Rubber Black

### CATEGORIES

#### Technical and Moulded Rubber Goods

### APPLICATIONS

- > Conveyor belts
- > Construction profiles
- > Damping elements
- > Hoses
- > Transmission belts
- > Moulded goods
- > Seals
- > Rubber-to-metal bonding
- > Unvulcanised sheets
- > Adhesives
- > Tubing

#### Tyre

- > Passenger vehicle tyres
- > Truck and bus tyres
- > Off-highway tyres
- > Agricultural tyres
- > Motorcycle and scooter tyres
- > Three-wheeler tyres
- > Cycle tyres