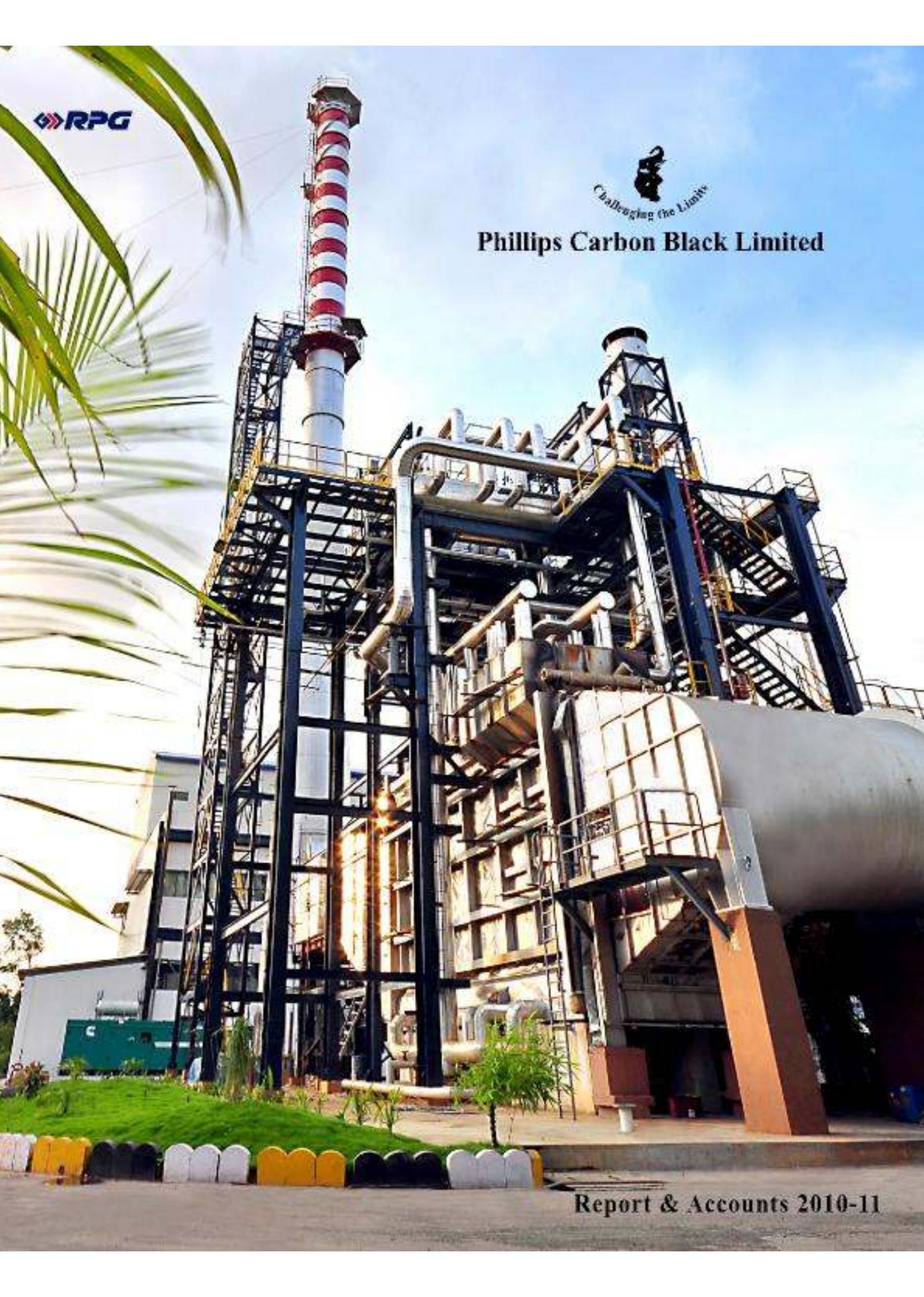




# Phillips Carbon Black Limited







## Phillips Carbon Black Limited

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**Cover :** The recently completed 10 MW Co-generation Power Plant at Kochi, Kerala.

**Inside Cover :** A glittering night view of the brand new 50,000 MTPA Carbon Black Plant at Mundra, Gujarat.

**Back Cover :** The PCBL Cochin facility, which has recently secured from Kerala State Pollution Control Board the first position among "large industries making substantial and sustained effort in pollution control in 2010."

Dr R P Goenka  
Chairman Emeritus

### **Board of Directors**

Mr Sanjiv Goenka, Chairman  
Mr Ashok Goyal, Managing Director & CEO  
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 Fiftieth Annual General Meeting of the Members of Phillips Carbon Black Limited will be held at "Uttam Mancha", 10/1/1, Monoharpukur Road, Kolkata-700 026 on Friday, the 29th July, 2011 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, 2011, 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, 2011.
3. To appoint a Director in place of Mr. O P Malhotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Ram S Tarneja, 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 an Ordinary Resolution)

"Resolved that Mr. Pradip Roy who was appointed by the Board of Directors as an Additional Director of the Company on 31st January,2011 pursuant to Section 260 of the Companies Act,1956 read with Article 93(1) of the Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom a notice has been received from a Member under Section 257 of the Companies Act,1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

7. (As an Ordinary Resolution)

"Resolved that in modification of the previous Resolution passed at the Annual General Meeting of the Members of the Company held on 29th July,2005 consent of the Company be and is hereby accorded under the provisions of Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company, for borrowing any sum or sums of money from time to time from any one or more of the Financial Institutions, Government/ Government bodies, Company's Bankers and/or other persons, Firms or Bodies Corporate, whether by way of Term Loans, Cash Credit, Advance, Deposits, Bills Discounting or otherwise, and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertakings of the Company notwithstanding that the moneys to be

borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in ordinary course of business) will or may exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 1000/- crores (Rupees one thousand crores only) exclusive of interest. The Board of Directors are hereby further authorised to execute such deeds of debentures and debenture trust deeds for mortgage, charge, hypothecation, lien, promissory notes, deposits receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Board of Directors may think fit and that for the purpose of implementation of this Resolution, the Board may act through any member thereof or any other person duly authorized by the Board in that behalf. "

8. (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 (1b)(i) of Clause 3 of Memorandum of Association of the Company.

Resolved further that the Board of Directors of the Company or any Committee thereof be and the same is hereby authorized to do all such acts, deeds and things as may be necessary to give effect to the foregoing Resolution or remove any difficulty in implementation thereof.

Registered Office :  
31, Netaji Subhas Road  
Kolkata-700 001  
3rd May, 2011

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 20th July,2011 to 29th July,2011 (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,2003 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 31st March,2005 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,2005 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, 2005 is due to be transferred to the aforesaid Fund immediately after 27th August, 2012.
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 2nd August, 2011 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 19th July, 2011.
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 :  
31, Netaji Subhas Road  
Kolkata-700 001  
3rd May, 2011

By Order of the Board  
  
Kaushik Mukherjee  
Company Secretary

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

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#### Item no. 6

Mr. Pradip Roy was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 31st January,2011 pursuant to Section 260 of the Companies Act,1956 read with Article 93(1) of the Articles of Association of the Company. Mr. Pradip Roy holds office as a Director of the Company upto the date of this Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act,1956 along with prescribed deposit from a Member of the Company signifying his intention to propose the candidature of Mr. Pradip Roy for the office of the Director of the Company.

Mr. Pradip Roy, a CAIIB, is a graduate engineer from Indian School of Mines, Dhanbad and did his MBA from University of Delhi. He has undergone training in investment appraisal and management from Harvard University, Cambridge, USA. He is presently Advisor, UTI AMC Ltd. Mr. Pradip Roy retired as Executive Director of IDBI Bank Limited.

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

Your Directors recommend that the Resolution set out at item no. 6 of the notice be passed in the interest of the Company.

#### Item no. 7

In terms of Section 293(1)(d) of the Companies Act,1956 , the consent of the Members in General Meeting is required to enable the Board of Directors to borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), exceeds the aggregate of the paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose.

In the Annual General Meeting held on 29th July, 2005, the Members authorized the Board to make borrowings upto 700 crores in terms of the aforesaid Section 293(1)(d) of the Act. In view of your Company's requirements of funds for expansion and diversification, the Board considers it necessary and appropriate that the limit be enhanced to Rs. 1000 crores in the interest of the Company.

Your Directors recommend that the Resolution set out at item no. 7 of the notice be passed in the interest of the Company.

None of the Directors of the Company is concerned or interested in the Resolution.

### Item no. 8

Your Company has been examining from time to time a number of avenues for further diversification of its business activities. Your Directors has now identified that the Company can utilize its expertise in production, distribution and sale of carbo-chemical and allied products. This proposal is expected to bring about greater profitability and revenue addition of your Company which will be in the interest of the Company in the long run. Your Directors feel that the proposed business can be economically and efficiently carried on or combined with the existing business based on available infrastructure and other resources of the Company, subject to governing laws and regulations. In accordance with terms and provisions

of Section 149(2A) of the Companies Act, 1956, no Company having a share capital shall commence any business not stated in the object clause of the Memorandum of Association in pursuance to Section 13(1)(c) of the said Act unless the Company has approved the commencement of such new business by way of a Special Resolution passed in that behalf by its shareholders.

Accordingly, your consent is being sought by way Special Resolution set out in Item No 8 of the Notice for the Company to commence carbo -chemical business as stated in sub – clause (1b)(i) of Clause 3 of Memorandum of Association of the Company.

Your Directors recommend that the Resolution set out at item no. 8 of the notice be passed in the interest of the Company.

None of the Directors of the Company is concerned or interested in the Resolution.

Registered Office :  
31, Netaji Subhas Road  
Kolkata-700 001  
3rd May, 2011

By Order of the Board  
  
Kaushik Mukherjee  
Company Secretary

## Important Communication - Support Green Initiative

The Ministry of Corporate Affairs, NewDelhi ('MCA') has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by companies vide its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated April 29, 2011 and clarified that the service of documents by a Company can be made through electronic mode instead of sending the physical copy of the document(s) to its shareholders.

Keeping in view the underlying theme and the circulars issued by MCA, we propose to send henceforth all communications/documents including the Notice calling the Annual General Meeting, audited financial statements, directors' report, auditors' report etc. via electronic mode. In connection with the same, we request you to provide your latest/updated email address on which future communication/correspondence/documents can be sent to you.

Shareholders holding shares in demat mode, are requested to register their e-mail id with the concerned Depository Participant. The Shareholders holding shares in physical mode are requested to register their e-mail id with Link Intime India Private Limited (Registrar and Share Transfer Agents of the Company) by sending a request letter duly signed by the first/sole shareholder.

We are sure you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

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

**Mr. Om Parkash Malhotra**

Date of Birth	4th February, 1932
Qualification	B.Chem. Engg., M.I.E., F.I.I., Ch. E
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
Directorship held in other Companies	Adorn Investment Ltd., Adapt Investment Ltd., Universal Industrial Fund Limited, RPG Infrastructure Investments Pvt. Ltd., RPG Hospitex Ltd., Alpha Carbon Ltd., Chembond Chemicals Ltd., Chembond Ashland Water Technologies Ltd.
Shareholdings in the Company	Mr. O P Malhotra does not hold any shares in the Company

**Dr. Ram S Tarneja**

Date of Birth	7th December, 1931
Qualification	B.A. (Hons.) Delhi, M.A ( Delhi and Virginia), P.h.D (Cornell)
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
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., Transcorp International Ltd., Phoenix Township Limited, SOWIL Limited, GIVO Limited, Arim Metal Industries Pvt. Ltd., Nissin ABC Logistics Pvt. Ltd. and RITCO Travels and Tours Private Limited
Committee Membership in other Companies	Chairman of Audit Committee of Bharat Gears Ltd., and Member of Audit Committee of Bennett, Coleman & Co. Ltd, GATI Ltd., NESCO Limited, Otis Elevator Company (I) Ltd. and 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. Pradip Roy**

Date of Birth	12th August, 1948
Qualification	Graduate Engineer from Indian School of Mines, Dhanbad, MBA from University of Delhi and CAIIB
Expertise in Specific Functional Areas	Mr. Pradip Roy is presently Advisor of UTI AMC Ltd. Earlier he was Executive Director of IDBI Bank Ltd. and was Nominee Director of IDBI in CESC Limited for many years. Prior to IDBI, Mr. Roy has worked with Indo – Burma Petroleum Co. Ltd. and Bank of India. Mr. Roy has vast experience in project finance across sectors, restructuring of companies, banking infrastructure financing and corporate advisory services. Mr. Roy was also a member of the task force set up for drawing the business plan of IDFC. His paper on power sector was selected by the World Energy Congress for personal presentation at Argentina, in October, 2001. In August, 2010, he was nominated by Government of India as a member of the sub group on Ports and Roads which has been convened under Dr. Rakesh Mohan, ex Dy Governor, RBI.
Directorship held in other Companies	India SME Asset Reconstruction Company Ltd.
Shareholdings in the Company	Mr. Pradip Roy does not hold any shares in the Company.

Directors' Report, Management Discussion and Analysis

Your Directors have pleasure in presenting the Fiftieth Report and Accounts of Phillips Carbon Black Limited for the financial year ended 31st March, 2011.

**FINANCIAL HIGHLIGHTS**

Year ended	31.03.11	31.03.10
Revenue -		
- Carbon black	1,614.11	1,178.05
- Power	76.04	54.52
- Other Income	8.91	2.81
<b>Total Revenue</b>	<b>1,699.06</b>	1,235.38
<b>PBDIT</b>	<b>234.49</b>	190.67
Less: Interest (net)	31.56	28.94
<b>PBDT</b>	<b>202.93</b>	161.73
Less: Depreciation	38.58	31.15
<b>PBT</b>	<b>164.35</b>	130.58
Provision for Taxation	48.07	7.89
<b>PAT</b>	<b>116.28</b>	122.69
Balance brought forward	133.41	39.49
Profit available for Appropriation	249.69	162.18
Proposed Dividend	16.61	11.30
Proposed Golden Jubilee Year Dividend	—	2.83
Tax on aforesaid Dividends	2.69	2.34
Dividend including taxes on dividend paid on 4,964,376 shares to Qualified Institutional Buyers allotted during the year	2.89	—
Transfer to General Reserve	11.65	12.30
Balance carried forward to Balance Sheet	215.85	133.41

**DIVIDEND**

For approval of Members at the ensuing Annual General Meeting, your Directors recommend a dividend of 50% i.e, @ Rs. 5/- per share which will absorb Rs. 16.61 crore. The tax on aforesaid dividend, to be borne by the Company, will be Rs. 2.69 crore. Dividend, including taxes on dividend aggregating to Rs. 2.89 crore, has been paid on 4,964,376 equity shares of Rs. 10/- each allotted to Qualified Institutional Buyers during the year.

**INDUSTRY STRUCTURE & DEVELOPMENT**

Global demand for carbon black rose by 14.6 % during 2010 i.e. from 8.9 million MT in 2009 to 10.2 million MT due to revival of world economy. Global capacity for carbon black was 13.4 million MT and capacity utilization was 76% during 2010.

In India, however demand for carbon black during FY11 grew by 6% i.e. from 605,000 MT in FY10 to 641,000 MT in FY11. Total production during FY11 was 693,000 MT and capacity utilization was 84%.

Your Company expects to shortly commission the second line of 50,000 MT capacity at Mundra, Gujarat and with the commissioning of 85,000 MT capacity plant at Patalganga and a 50,000 MT line in West Bengal by competition, the total installed carbon black capacity in India will reach 925,000 MT.

The threat of import at low prices continues to prevail as global capacity utilization in carbon black industry remains lower than that in India. Imports increased from 64,000 MT in FY10 to 70,000 MT in FY11 and those are expected to grow further in FY12.

**PERFORMANCE**  
(Rs. in crore)

**Carbon Black**

In its golden jubilee year, your Company has, for the first time since inception, achieved Profit before Tax (PBT) of Rs. 164.35 crore in FY11 and Operating Profit (PBDIT) of Rs. 234.49 crore. Amongst the factors which contributed significantly to achieving the highest profit in FY11 are 20% increase in sales volume and significant jump in revenue from power sales.

**Power**

Revenue from sale of power was 1.4 times higher in FY11 – Rs. 76.04 crore vis-à-vis Rs. 54.52 crore during FY10. The contribution of the power segment to the Company's profit increased significantly in FY11. The Company's overall power generation capacity will increase further with the forthcoming commissioning of the 10 MW co-generation power plant at Kochi.

**Manufacturing**

Your Company successfully maintained its global ranking at No 8 during the year. The strategic location of its four plants in different parts of India should facilitate your Company to optimize logistics costs within India and outside.

**Research and Development**

During FY11 all the 4 R & D units located at Durgapur, Kochi, Palej and Mundra received recognition as in-house Research & Development units from the Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi.

Special carbon black grades for non rubber applications developed by the Company's R&D units have been well accepted by customers in the domestic market, as their performance is comparable to international standard. While the contribution of these grades to the overall top line of the Company was modest during FY11, plans have been chalked out to raise sales from this segment in the coming years.

**Environment, Health, Safety and Social Responsibility**

During the year, your Company took various initiatives to achieve greater heights in Environment, Health and Safety. New policies have been adopted for greener surroundings. The Company is also working closely with India Trees Foundation, while strictly adhering to Environment, Health and Safety norms at all its manufacturing locations.

Concerted efforts in corporate social responsibility (CSR) continued during FY11 – eye check up camps, support in cataract surgeries, rural area development, free distribution of educational kits to Below Poverty Line (BPL) students etc. The Company tied up with SMILE Foundation and Calcutta Social Project to roll out a Saksham workshop for BPL youths. The CSR Team at Kochi completed the second batch of Computer Literacy Programme offered by IGNOU for housewives from the local community. Our CSR volunteers also provided regular educational support e.g. tuition to VII and IX students from the local community.

It is a matter of pride for all of us that the Safety Award - 1st Prize in the category of medium factories of Petroleum and Petrochemical industry employing within the range of 100 - 500 workers for the year 2010 has been won by our Cochin Unit for its outstanding performance in industrial safety.

## Human Resource Development

Human Resource Development continues to remain a focus area for sustainable growth of your company. A number of special initiatives were taken to facilitate the growth of all employees at all locations.

To enhance the effectiveness of Performance Management System the entire PMS has been redesigned meticulously to capture the entire process through on line e-system.

Employee engagement score has also improved substantially indicating higher retention of talent and commitment to excel in all aspects of your company's operations.

The company's manpower requirements for the greenfield project at Vietnam and all units across India have been carefully planned. Industrial relation scenario at all the units continue to remain healthy and forward looking.

## Internal Control System and Adequacy

Your Company has adequate internal control systems in every area of operation. Services of internal and external auditors are utilized from time to time. The Company continuously upgrades these systems in line with the best available material practices. These reports and variance analysis are regularly discussed with members of Management Committee and actions taken whenever necessary. An independent Audit Committee of the Board reviews the adequacy of Internal Control.

## Opportunities and Threats

Your Company is always on the lookout for opportunities that exist in its business.

### Opportunities

- Expansion plans of all major tyre companies in India are on track and their plants are expected to come up during FY12 –FY14.
- Government's thrust on development of infrastructure continues. This, coupled with a robust overall economic growth during FY11, is expected to have a favorable impact on demand for tyres and hence carbon black.
- Power continues to be an attractive segment for your company for improving profitability.

### Threats

- Carbon black/tyre import.
- Expansion of carbon black manufacturing capacities simultaneously by all domestic competitors.
- Withdrawal of Anti Dumping Duty on carbon black.
- Inadequate infrastructure at ports, causing detention of vessels and higher freight cost.
- Continuing high inflation which may put a dampner on the purchasing power of customers
- Lower power rates may impact power profitability.

## Segmentwise Performance

The Performance of Carbon Black and Power segment has been covered in this Report earlier.

## Risks and Concern

The main raw material for the Company – Carbon Black Feedstock (CBFS) is residual oil from distillation process of crude and is subject to frequent volatility, whereas the price of finished carbon black is revised once a quarter. In the event the Company is unable to timely pass on increased CBFS cost, it may have adverse impact on the Company's profit. Increase in carbon black import or drop

in carbon black demand may have serious implications on the activity level of the carbon black segment and consequently the availability of lean gas for the power segment.

The Company is also exposed to risks from fluctuation of Indian Rupee vis-à-vis other currencies, interest rate, realisation for surplus power and regulations relating to environment.

## Major Expansion Plans

Your Company has decided to expand its carbon black capacity at Kochi by setting up another 50,000 MT soft line, which is expected to be commissioned during Q4FY12. The company also plans to expand its capacity at Durgapur by 12,500 MT during FY12. The Company is also working on the commissioning of the 8 MW capacity co-generation plant at Mundra which is expected to be commissioned during Q4 FY12. Upon completion of these projects, PCBL's total carbon black manufacturing capacity will rise to 472,500 MT and power generation capacity to 78.5 MW.

Your company has started working towards its global footprint by starting project activity for a 110,000 MT capacity carbon black plant at Vietnam along with 18 MW Co-generation plant. The plant is expected to be ready during FY13.

The Company has obtained Members' approval for starting carbo-chemical business with setting up of a new coal tar distillation plant in Orissa with capacity of 1,50,000 mtpa coal tar processing and 50,000 mtpa soft pitch processing. The plant is expected to be commissioned in Q2 of FY13.

## Qualified Institutional Placement (QIP) and Preferential Warrants Issue

In accordance with SEBI Guidelines and Members' approval, the Company has allotted 49,64,376 equity shares @ Rs. 200/- per share to Qualified Institutional Buyers and 12,50,000 convertible warrants @ Rs. 196/- per warrant to the Promoter Group on 30th April, 2010.

## Subsidiaries

In accordance with the general exemption granted by Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956, ('the Act') the accounts of the subsidiaries namely, Phillips Carbon Black Cyprus Holdings Limited, PCBL Netherlands Holdings B.V, Phillips Carbon Black Vietnam Joint Stock Company and Goodluck Dealcom Private Limited for the year 2010-11 and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time and are not attached. Copies of the annual accounts of the subsidiary companies will also be kept open for inspection by any investor in the Registered Office of the Company and of the subsidiary companies concerned. The Company shall furnish a hard copy of accounts of subsidiaries to any shareholder on demand. The Company publishes Consolidated Financial Statements of the Company and its subsidiaries duly audited by Messrs Price Waterhouse, Kolkata, Auditors, prepared in compliance with the applicable Accounting Standards and the Listing Agreement with the Stock Exchanges. The Consolidated Financial Statements for the year 2010-11 form part of the Annual Report and Accounts.

## FUTURE OUTLOOK

### Carbon Black

Demand growth for carbon black continues to be robust with the global demand expected to grow at a CAGR of 4.6% from 2010 to 2015. Expansion plans of all tyre manufacturers in India as well as a few global majors are on track and are expected to be completed within FY12-FY14. Domestic demand for carbon black is expected to grow @ 7-8% during FY12. With the expansion plans as detailed in this respect, your Company is well poised to meet the increasing demand in the domestic market.

Overseas demand for carbon black is expected to grow further during FY12. Your company has made significant forays into overseas markets such as Europe and US. The company will continue to place emphasis on exports during FY12 to mitigate any possible situation of excess supply in domestic markets.

## Power

Your Company's initiative to create additional revenue from power is likely to grow further in the coming years with the forthcoming commissioning of 10 MW CPP at Kochi and 8 MW at Mundra. The total installed capacity is expected to reach 78.5 MW.

## 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 has repaid all Fixed Deposits that matured and were claimed by the depositors under the earlier Fixed Deposit Schemes. Matured unclaimed deposits as on 31st March, 2011 amounted to Rs 2.93 lakh. Apart from matured unclaimed deposits, no amount is outstanding as on 31st March 2011. Reminders have been sent to depositors who have not claimed repayment of matured deposits.

## 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 pursuant to the provision of Section 219(1)(b)(iv) of the Companies Act, 1956. The said statement 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 Annual General Meeting. 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 has approved the appointment of Messrs Shome & Banerjee, Cost Accountants, for conducting cost audit for the financial year ended 31st March, 2011.

Messrs Shome & Banerjee, Cost Accountants, have given their consent along with their Certificate of Independence for conducting the audit of the cost accounts for the financial year ending 31st March, 2012, if appointed.

Cost Audit Report for the financial year ended 31st March, 2010 was filed on 10th September, 2010.

## Directors

Mr. Pradip Roy holds office as an Additional Director of the Company upto the date of the ensuing Annual General Meeting. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 along with prescribed deposit from a member of the Company signifying his intention to propose the candidature of Mr. Pradip Roy for the office of the Director of the Company.

Mr. B M Khaitan resigned from Directorship with effect from 11th February, 2011. The Board has placed on record its deep appreciation for the invaluable support and guidance received from Mr. B M Khaitan during his long association as Director of the Company.

Dr. Ram S Tarneja and Mr. O P Malhotra 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 grateful appreciation for the encouragement, assistance and co-operation received from members, various state governments where the Company's plants and offices are located, the central government, banks and customers. They also thank all stakeholders and customers for the trust reposed in the Management and wish to thank all employees for their eager commitment and contributions.

For and on behalf of the Board

Kolkata  
3rd May, 2011

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, 2011.

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 has installed extremely specialised and state of the art 12 MW Co-generation Power Plant (CPP) at Baroda, 30 MW Co-generation Power Plant at Durgapur and 16 MW Co-generation Power Plant at Mundra.

The 30 MW Co-generation Power Plant at Durgapur and 16 MW Co-generation Power Plant at Mundra have started commercial operation from 1st April, 2009 and 24th December, 2009 respectively.

The 10 MW Co-generation Power Plant at Kochi has been completed. Trial run has commenced.

The entire lean gas is used to generate power for meeting the entire internal process requirements for production of Carbon Black as well as to sell the surplus to the Grid

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

Additional Investments are being undertaken for setting up 8 MW CPP at Mundra and 4 MW CPP at Palej.

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

To be realised in coming years.

(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>		
1. Electricity		
(a) Purchased units (KWH)	9295847	11845580
Total amount (Rs. in lakhs)	900.73	905.58
Rate per unit (Rs.)	9.69	7.64
(b) Own generation		
(i) Through diesel generators units (KWH)	—	—
Units per ltr. of diesel oil (KWH)	—	—
Cost per unit (Rs.)	—	—
(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)	97053636	73913774
Units per ltr. of fuel oil (KWH)	1361.62	52.87
Cost per unit (Rs.)	—	0.61

	Current Year	Previous Year
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)]	446932.68	135178.50
Total Cost (Rs. in lakhs)	37.03	17.59
Average rate (Rs.)	8.29	13.01
5. Consumption per unit of production :		
CARBON BLACK		
(i) Electricity (KWH/MT)	348	330
(ii) Furnace Oil (Ltr./MT)	—	—
(iii) Coal	—	—
(iv) Others – process steam (MT/MT)	1.46	0.52

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 & Development (R&D) :

1. Specific areas in which R&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&D :

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

3. Future Plan of Action :

1. Development of specialised grades for specific applications in conjunction with customers.
2. Improved Reactor design for higher yield.

4. Expenditure on R&D :

	(Rs. in Lakhs)	
	Current Year	Previous Year
(a) Capital	51.78	—
(b) Recurring	855.70	407.37
(c) Total	907.48	407.37
(d) Total R&D Expenditure as a percentage of total expenditure	0.58	0.35

**Technology absorption, adaptation & innovation :**

1. Efforts in brief towards technology absorption, adaptation & innovation :
  - The revision in standard Operating Procedures resulted in improved yields, lower consumption of power to produce Carbon Black and overall lower costs to produce each ton of product.
2. Benefits derived as a result of the above efforts :
  - Improved quality of the product.
3. Particulars of Imported Technology in the last 5 years :
  - (a) Technology Imported : Not applicable
  - (b) Year of Import : Not applicable
  - (c) Has the technology been fully absorbed? : Not applicable
  - (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 :

Various initiatives relating to improvement in quality and service, developing new markets, etc. have resulted in exports of Rs. 32,455.71 lakhs.

- (b) Total foreign exchange used and earned :

	<u>Current Year</u>	<u>Previous Year</u>
Foreign Exchange used	<b>104332.58</b>	83743.76
Foreign Exchange earned	<b>32455.71</b>	17647.54

(Rs. in Lakhs)

For and on behalf of the Board

Kolkata  
3rd May, 2011

Sanjiv Goenka  
Chairman

Corporate Governance Report

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company continues to focus on good Corporate Governance, which aims to improve the Company's efficiency, effectiveness and social responsibility. The basic philosophy of Corporate Governance in the Company emphasizes on highest levels of transparency, accountability and equity, in all respects of its operations. The Company believes that the governance process should ensure economic prosperity and long term value creation for the enterprise and its shareholders keeping in view the needs and interests of all its stakeholders. The Company also respects the rights of its shareholders and other stakeholders to information on the performance of the Company based on highest professional, ethical and financial reporting standards.

II. COMPOSITION OF THE BOARD OF DIRECTORS AS ON 31ST MARCH, 2011.

(a) The Board of Directors of the Company comprises

- 1 2 Non - Executive Directors
- 1 5 Non - Executive Independent Directors
- 1 1 Executive Director who is Managing Director

The names and categories of Director, the number of Directorships and Committee positions held by them in other companies and also the shareholdings in the Company are given below:

Name of the Director	Category of Director	No. of Directorships in other Public Limited Companies incorporated in India	No. of other Committee Membership(s)/ Chairman-ship(s) held #	No. of Shares held in the Company
Mr. Sanjiv Goenka	Non-Executive (Chairman)	10	4 (including 2 as Chairman)	NIL
Mr. B. M. Khaitan##	Non-Executive & Independent	6	1	NIL
Mr. C. R. Paul	Non-Executive & Independent	1	1	NIL
Dr. Ram S. Tarneja	Non-Executive & Independent	11	7 (including 2 as Chairman)	NIL
Mr. K. S. B. Sanyal	Non-Executive & Independent	3	3 (including 2 as Chairman)	NIL
Mr. Paras K. Chowdhary	Non-Executive	8	2	NIL
Mr. O. P. Malhotra	Non-Executive & Independent	7	—	NIL
Mr. Pradip Roy###	Non-Executive & Independent	1	—	NIL
Mr. Ashok Goyal	Managing Director	1	—	NIL

# Committee positions held only in Audit and Shareholders/Investors Grievance Committees of other companies are considered.

## Mr. B M Khaitan resigned from the Board with effect from 11th February, 2011.

### Mr. Pradip Roy was appointed as an Additional Director of the Company with effect from 31st January, 2011.

(b) Attendance Record of the Directors at the Board Meetings held on 28th April 2010, 23rd July, 2010, 27th October, 2010, and 31st January, 2011 and Annual General Meeting held on 23rd July, 2010 are given below:

Name of the Director	Board Meetings		Attendance at the last Annual General Meeting
	Held during tenure	Attended	
Mr. Sanjiv Goenka	4	4	No
Mr. B. M. Khaitan#	4	4	No
Mr. C. R. Paul	4	4	Yes
Dr. Ram S. Tarneja	4	3	Yes
Mr. K. S. B. Sanyal	4	3	No
Mr. Paras K. Chowdhary	4	0	No
Mr. O. P. Malhotra	4	4	Yes
Mr. Pradip Roy*	1**	1	Not Applicable*
Mr. Ashok Goyal	4	4	Yes

# Mr. B. M. Khaitan resigned from the Board with effect from 11th February, 2011

\* Inducted as an Additional Director of the Company with effect from 31st January, 2011.

\*\* Number of meetings held during tenure.

III. AUDIT COMMITTEE

1. Terms of Reference

The terms of reference include the powers as stipulated in Clause 49II (C), the role of the Audit Committee as laid down in Clause 49II (D) and review of information pursuant to Clause 49II (E) of the Listing Agreement with the stock exchanges. The terms of reference also fully conform to the requirements of section 292A of the Companies Act, 1956.

2. Composition

The Audit Committee comprises 5 Directors out of which 4 are Non - Executive Independent Directors and 1 is Non-Executive Director. The composition of the Audit Committee meetings held and attendance thereof are as below:

Name of the Director	Position held	No. of Meetings	
		Held during tenure	Attended
Mr. K. S. B. Sanyal (Non-Executive & Independent)	Chairman	4	3
Mr. Paras. K. Chowdhary (Non-Executive)	Member	4	0
Mr. C. R. Paul (Non-Executive & Independent)	Member	4	4
Mr. O. P. Malhotra (Non-Executive & Independent)	Member	4	4
Dr. Ram S Tarneja (Non-Executive & Independent)	Member	4	3

### 3. Meetings

- 1 Audit Committee Meetings were held on 28th April, 2010, 23rd July, 2010, 27th October, 2010 and 31st January, 2011. The Annual Accounts for the year ended 31st March, 2010 were reviewed by the Audit Committee at its meeting held on 28th April, 2010. The Audit Committee also reviewed the audited financial results for the year ended 31st March, 2010 and unaudited financial results for the quarters ended 30th June, 2010, 30th September, 2010 and 31st December, 2010 before recommending their adoption to the Board.
- 1 Audit Committee Meetings were also attended by the Managing Director, Chief Financial Officer, Internal Auditor, Statutory Auditors and Cost Auditors of the Company.
- 1 The Company Secretary acts as Secretary to the Audit Committee.
- 1 Members of the Audit Committee are eminent persons in their fields having expertise in Finance and Accounting.
- 1 Mr. K S B Sanyal, Chairman of the Audit Committee authorized Mr. C R Paul, Member of the Audit Committee to represent him in the Annual General Meeting of the Company held on 23rd July, 2010.

### IV. REMUNERATION COMMITTEE

#### 1. Terms of Reference

The Remuneration Committee has been constituted to review and recommend to the Board of Directors the remuneration payable to the Managing Director.

#### 2. Composition

The Remuneration Committee comprises 3 Directors, all of whom are Non - Executive Independent Directors. The composition of the Remuneration Committee, meetings held and attendance thereof are as below :

Name of the Director	Position held	No. of Meetings	
		Held during tenure	Attended
Mr. K. S. B. Sanyal	Chairman	2	1
Mr. C. R. Paul	Member	2	2
Mr. O. P. Malhotra	Member	2	2

#### 3. Meetings

During the year ended 31st March, 2011, the Remuneration Committee met twice on 23rd July, 2010 and 31st January, 2011.

#### 4. Remuneration Policy

- a. Remuneration structure for the Managing Director comprises salary, perquisites as well as contribution to the Provident Fund, Superannuation Fund, Gratuity Fund, Performance Bonus and Management Supplement as per the Agreement entered between the Managing Director and the Company. The Agreement of Mr. Ashok Goyal was placed before the Board for approval and the approval of the shareholders was obtained at the Annual General Meeting of the Company held on 23rd July, 2010.
- b. The Non-Executive Directors get sitting fees for attending the Board and Committee Meetings at the rate of Rs. 20,000/- per Board and Audit Committee Meeting, and at the rate of Rs. 5,000/- per meeting for all other Committee Meetings. Further, in terms of the Special Resolution passed by the Members of the Company on 30th July, 2008, Non-Executive Directors are also entitled to commission @ of 1% on the Company's net profit for the year computed in accordance with Section 198 (1) / 349 of the Companies Act, 1956, for each of the five financial years commencing from 1st April,

2008, payable subject to such limit and in such manner and up to such extent as the Board of Directors may determine from time to time.

### 5. Details of Sitting Fees/ Remuneration

#### A. Sitting Fees/Commission paid to the Non-Executive Directors

The sitting fees for the Board and the Committee meetings and Commission paid to the Non-Executive Directors for the year ended 31st March, 2011 are as follows:

Mr. Sanjiv Goenka – Sitting Fee Rs. 80,000 and Commission Rs.35,00,000/- , Mr. B. M. Khaitan – Sitting Fee Rs. 80,000/-, Mr. C. R. Paul – Sitting Fee Rs. 1,95,000/- , Dr. Ram S. Tarneja – Sitting Fee Rs. 1,10,000/-, Mr. K. S. B. Sanyal – Sitting Fee Rs. 1,25,000/-, Mr. Paras K. Chowdhary – Sitting Fee Nil, Mr. O. P. Malhotra – Sitting Fee Rs. 1,85,000/ and Mr. Pradip Roy – Sitting Fee Rs. 20,000/-

In terms of the Special Resolution passed by the members of the Company, commission of Rs. 160,00,000/- for the year ended 31st March,2011 is payable to the Non- Executive Directors of the Company.

#### B. Remuneration paid to the Executive Director

Executive Director	Business relationships with the Company, if any	All elements of remuneration package, i.e. salary, benefits, bonuses, pension etc. for the year ended 31st March, 2011	
		Description	Amount (Rs. in lakhs)
Mr. Ashok Goyal #	Managing Director	Salary and Allowances,	222.62
		Contribution to Provident, Gratuity and Superannuation Funds,	15.38
		Perquisites	2.88
TOTAL			240.88

# Service Contract : For a period of three years from 23rd October, 2009.

# Notice Period : Ninety days notice from either side.

# Severance Fees : Ninety days salary in lieu of notice.

# Stock Options : None

### V. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

#### 1. Composition

The Shareholders / Investors Grievance Committee of the Board of Directors under the Chairmanship of a Non-Executive Independent Director meets at regular intervals and specifically looks into the aspect of redressal of Shareholders / Investors Grievances. The composition of the Shareholders / Investors Grievance Committee meetings held and attendance thereof are as below:

Name of the Director	Position held	No. of Meetings	
		Held during tenure	Attended
Mr. C. R. Paul	Chairman	2	2
Mr. K. S. B. Sanyal	Member	2	2

Name and designation of Compliance Officer : Mr. Kaushik Mukherjee, Company Secretary.

**2. Status of Shareholders' Complaints**

Number of complaints received during the year ended 31st March, 2011 as per records of the Company	Number of complaints resolved during the year ended 31st March, 2011	Number of complaints pending as on 31st March, 2011
1	1	NIL**

\*\* The Company has received confirmations from National Stock Exchange of India Limited, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Ltd., that no investor complaints are pending against the Company as on 31st March, 2011.

**3. Share Transfer**

Mr. Ashok Goyal, Managing Director, Mr. Jatin Kapoor, Chief Financial Officer, and Mr. Kaushik Mukherjee, Company Secretary are severally authorised to approve share transfers in physical mode.

**4. Meetings**

During the year ended 31st March, 2011, Shareholders / Investors Grievance Committee met twice on 29th July, 2010 and 31st January, 2011 which was attended by all the members.

**VI. GENERAL BODY MEETINGS**

1. Location and time of the last 3 Annual General Meetings (AGM) held :

AGM	Date	Venue	Time	Special Resolution Passed
49th	23rd July, 2010	"Vidya Mandir"	10.30 A.M.	Yes
48th	24th July, 2009	"Madhusudan Mancha"	10.30 A.M.	No
47th	30th July, 2008	"Madhusudan Mancha"	10.30 A.M.	Yes

Special Resolutions under Section 17 of the Companies Act, 1956 for amendment of Object Clause of the Memorandum of Association of the Company was passed by way of Postal Ballot on 4th November, 2010.

2. Disclosure regarding appointment or reappointment of Directors in accordance with Clause 49IV (G) (i) of the Listing Agreement has been provided in the Notice convening the Annual General Meeting of the Company.

**VII. DISCLOSURES**

1. **Disclosures on materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors, or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large :**

I No such transactions took place during the year ended 31st March, 2011.

2. **Disclosure by Senior Management in accordance with Clause 49IV(F) (ii) of the Listing Agreement:**

The Senior Management of the Company has confirmed to the Board of Directors that they do not have any personal interest relating to material, financial and commercial transactions with the Company that may have a potential conflict with the interests of the Company at large.

3. **Disclosures on compliance of law :**

The Company has complied with the mandatory requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No

penalties or strictures were imposed by SEBI, Stock Exchanges, or any statutory authorities on any matter related to capital markets during the last three years.

**4. Whistle Blower Policy**

The Company does not have any Whistle Blower Policy as of now but no personnel are being denied any access to the Audit Committee.

**5. Details of compliance with mandatory requirements and adoption of non mandatory requirements**

All mandatory requirements have been complied with and the non-mandatory requirements are dealt with at the end of the Report.

**6. Certificate from the Managing Director and the Head of Finance**

Certificate from Mr. Ashok Goyal, Managing Director and Mr. Jatin Kapoor, Chief Financial Officer, in terms of Clause 49 (V) of the Listing Agreements with the Stock Exchanges for the financial year ended 31st March, 2011 was placed before the Board of Directors of the Company in its meeting held on 3rd May, 2011.

**7. Code of Conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company which is posted on the website of the Company.

All Board Members and Senior Management personnel have affirmed compliance with the Code on an annual basis. A declaration to this effect signed by the Managing Director forms part of this Annual Report.

**VIII. MEANS OF COMMUNICATION**

1. In compliance with Clause 41 of the Listing Agreement, the Company sends the quarterly /half yearly/ audited results to the Stock Exchanges. Results are published in the Business Standard (all editions) and Aajkal (Kolkata).
2. Information and details of the Company in all respects are posted on the Company's website: www.pcblltd.com
3. Whenever the Company issues any press release, it is sent to the Stock Exchanges as well as posted on the Company's website.
4. Management Discussion and Analysis forms a part of the Directors' Report.

**IX. GENERAL SHAREHOLDER INFORMATION**

- 1 **Annual General Meeting date, time and venue:**  
Date: 29th July, 2011 at 10.30 a.m. to be held at "Uttam Mancha", 10/1/1, Monoharpukur Road, Kolkata - 700 026
- 1 **Financial Year:** 1st April, 2010 to 31st March, 2011.
- 1 **Book Closure:** 20th July, 2011 to 29th July, 2011 (both days inclusive)
- 1 **Dividend Payment date:** Dividend, if declared, at the ensuing Annual General Meeting will be paid on and from 2nd August, 2011.
- 1 **Listing on Stock Exchanges and Stock Codes :**
  - a) The Calcutta Stock Exchange Ltd. - 26125  
7, Lyons Range,  
Kolkata - 700 001
  - b) Bombay Stock Exchange Limited - 506590 (B2)  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai - 400 001.
  - c) National Stock Exchange of India Ltd. - PHILIPCARB  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (E), Mumbai - 400 051.  
Listing Fees for all the above Stock Exchanges for 2011 – 2012 have been paid.

1 **Market Price high, low, close during each month from April, 2010 to March, 2011 (in Rs.) (as available from the website of National Stock Exchange of India Limited and Bombay Stock Exchange Limited)**

Month	High		Low		Close	
	NSE	BSE	NSE	BSE	NSE	BSE
Apr. – 10	224.00	223.75	191.00	191.50	221.75	221.75
May – 10	228.80	228.70	172.00	171.25	185.05	184.00
Jun. – 10	210.70	211.00	146.85	177.35	184.15	183.25
Jul. – 10	216.25	216.00	181.30	182.10	192.70	192.55
Aug. – 10	215.00	216.20	190.00	190.30	202.05	201.35
Sep. – 10	242.70	242.45	201.00	200.20	219.10	218.55
Oct. – 10	229.70	228.95	195.00	193.50	200.00	198.80
Nov. – 10	219.70	212.00	165.00	164.00	174.60	174.05
Dec. – 10	194.70	188.90	160.05	151.05	171.15	171.25
Jan. – 11	177.00	174.85	130.00	132.55	133.70	133.55
Feb. – 11	160.00	157.65	113.20	113.00	135.40	135.25
Mar. – 11	148.00	148.40	129.35	131.00	146.35	144.60

**Monthly Comparison Chart of the Share Prices (in Rs.) with the NSE Nifty and BSE SENSEX along with the No. of Shares traded during the period April, 2010 to March, 2011.**

Month	Nifty/Sensex (Close)		Share Price (Close) (Rs.)		No. of Shares Traded	
	NSE	BSE	NSE	BSE	NSE	BSE
Apr. – 10	5278.00	17558.71	221.75	221.75	3002396	2119242
May – 10	5086.30	16994.63	185.05	184.00	860852	806646
Jun. – 10	5312.50	17700.90	184.15	183.25	1657965	999004
Jul. – 10	5367.60	17868.29	192.70	192.55	5110685	2593673
Aug. – 10	5402.40	17971.12	202.05	201.35	2409329	1271517
Sep. – 10	6029.95	20069.12	219.10	218.55	3806579	1927868
Oct. – 10	6017.70	20032.64	200.00	198.80	1134117	475776
Nov. – 10	5862.70	19521.25	174.60	174.05	534394	215959
Dec. – 10	6134.50	20509.09	171.15	171.25	663640	342728
Jan. – 11	5505.90	18327.76	133.70	133.55	367176	138520
Feb. – 11	5333.25	17832.40	135.40	135.25	3308295	1989560
Mar. – 11	5833.75	19445.22	146.35	144.60	1279738	283590

1 **Registrars and Share Transfer Agent :**

Link Intime India Pvt. Ltd.  
59-C, Chowringhee Road, 3rd Floor  
Kolkata - 700 020  
Telephone : (033) 2289-0539/40, Fax : (033) 2289-0539  
E-mail : kolkata@linkintime.co.in

1 **Share Transfer Process**

The shares in physical form for transfer should be lodged at the office of the Company's Registrar and Share Transfer Agent, Link Intime India Pvt. Ltd., Kolkata or at the Registered Office of the Company. The transfers are processed within 14 days from the date of receipt of such request for transfer, if technically found to be in order and complete in all respects. As per directives issued by SEBI, it is compulsory to trade in securities of any Company's equity shares in dematerialized form.

1 **Dematerialisation**

The process of conversion of shares from physical form to electronic form is known as dematerialisation. For dematerializing the shares, the shareholders should open a demat account with a Depository Participant (DP). He/She is required to submit a Demat Request Form duly filled up along with the share certificates to his/her DP. The DP will allocate a demat request number and shall forward the request physically as well as electronically, through NSDL/CDSL, to the Registrar and Transfer Agent. On receipt of the demat request both physically and electronically and after verification, the shares are dematerialised and an electronic credit of shares is given in the account of the shareholder.

1 **Distribution of Shareholding as on 31st March, 2011**

Shareholding Pattern – Size of Holdings	No. of Shares	Percentage (%) to Share Capital	No. of Shareholders	Percentage (%) to Total holders
1 – 500	2734162	94.19	29091	8.23
501 – 1000	788687	3.33	1027	2.38
1001 – 2000	614747	1.34	413	1.85
2001 – 3000	269168	0.34	106	0.81
3001 – 4000	184006	0.17	52	0.55
4001 – 5000	193928	0.13	41	0.58
5001 – 10000	541919	0.24	75	1.63
10001 & above	27890955	0.26	80	83.97
<b>TOTAL</b>	<b>33217572</b>	<b>100.00</b>	<b>30885</b>	<b>100.00</b>

1 **Shareholding Pattern as on 31st March, 2011**

No. of holdings	No. of shareholders	No. of Shares	Percentage of Holdings
Non Resident Indians	825	227639	0.68
Institutional Investors	69	8356047	25.16
Promoter* * includes Persons acting in concert	12	15722721	47.33
Bodies Corporate	677	4036040	12.15
Resident Individuals	29302	4875125	14.68
<b>TOTAL</b>	<b>30885</b>	<b>33217572</b>	<b>100.00</b>

1 **Dematerialisation of shares :**

	Shares	%
NSDL	28048389	84.44
CDSL	1476176	4.44
<b>TOTAL</b>	<b>29524565</b>	<b>88.88</b>

1 **ISIN NO. INE 602A01015**

1 **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity**

As at 31st March, 2011, there are 12,50,000 outstanding Convertible Warrants allotted on a preferential basis on 30th April, 2010 against receipt of 25% out of the total consideration of Rs. 196/- per warrant. Each warrant is convertible into one equity share of nominal value of Rs. 10/- at a premium of Rs. 186/- per share, within eighteen months from the date of allotment.

1 **Plant Locations**

A list of locations of Company's Plants has been given separately in this Annual Report.

**I. Address for correspondence :**

- 1) Registrar and Share Transfer Agent :**  
(For share and dividend related queries)  
Link Intime India Pvt. Ltd.  
59-C, Chowringhee Road, 3rd Floor, Kolkata - 700 020  
Telephone : (033) 2289-0539/40, Fax : (033) 2289-0539  
E-mail : kolkata@linkintime.co.in
- 2) Company**  
(For any other matter and unresolved complaints)  
Company Secretary  
Phillips Carbon Black Limited  
31, Netaji Subhas Road, Kolkata - 700 001  
Phones : (033) 6625 1000, 2242 0839  
Fax : (033) 2248 0140  
E-mail : kaushikm@pcblltd.com

**X. STATUS OF ADOPTION OF THE NON MANDATORY REQUIREMENTS**

**Remuneration Committee**

The Company has a Remuneration Committee as reported in Section IV above.

**Other Items**

The rest of the Non-Mandatory Requirements will be implemented by the Company as and when required and/or deemed necessary by the Board.

For and on behalf of the Board

Kolkata  
3rd May, 2011  
Sanjiv Goenka  
Chairman

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49I(D)(ii) OF THE LISTING AGREEMENT**

I, Ashok Goyal, Managing Director of Phillips Carbon Black Limited declare that all the Members of the Board of Directors and Senior Management personnel have, for the year ended 31st March, 2011 affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of the Listing Agreement entered with the Stock Exchanges.

Kolkata  
3rd May, 2011

Ashok Goyal  
Managing Director

**Auditors' Certificate**

**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

**To the Members of**

**Phillips Carbon Black Limited**

We have examined the compliance of conditions of Corporate Governance by Phillips Carbon Black Limited, for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted

by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants.

P. LAW  
Partner  
(Membership no. 51790)

Place : Kolkata  
Date : 3rd May, 2011

**GROUP :**

Persons constituting group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP) for the purpose Regulation 3 (1) (e) (i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:

ACE Applied Software Services Private Limited	Ektara Enterprises Private Limited	Petrochem International Limited	Stellar Energy Trust
Accurate Commodore Private Limited	FGP Limited	Prism Estates Trust	Stylefile Events Limited
Adapt Investments Limited	Goodhope Sales Private Limited	Puffin Investments Limited	Subhrashi Vinimay Private Limited
Adorn Investments Limited	Goodluck Dealcom Private Limited	Rainbow Investments Limited	Summit Securities Limited
Alipore Towers Private Limited	Haldia Energy Limited	Ritushree Vanija Private Limited	Surya Vidya Limited
Allwin Apartments LLP	Harrisons Malayalam Limited	RPG Cellular Investments & Holdings Private Limited	Swallow Associates Limited
Altantic Holdings Limited	Highway Apartments Private Limited	RPG Enterprises Limited	Tirumala Dealtrade Private Limited
Au Bon Pain Cafe India Limited	Horizon Master Trust	RPG Industries Private Limited	Trade Apartments Limited
Amber Apartments Private Limited	Idea Tracom Private Limited	RPG Infrastructure Investments Private Limited	Ujala Agency Private Limited
B N Elias & Company Private Limited	Indent Investments Limited	RPG Life Sciences Limited	Universal Industrial Fund Limited
Best Apartments Private Limited	Instant Holdings Limited	Saregama India Limited	Vayu Udaan Aircraft Private Limited
Billion Trust	Integral Estates Trust	Secura India Trust	Vision Estates Trust
Blue Niles Holdings Limited	Integrated Coal Mining Limited	Sentinel Tea & Exports Limited	Wonder Land Limited
Brabourne Investments Limited	KEC International Limited	Shaft Investments Private Limited	Zensar Technologies Limited
Carnival Investments Limited	Kestrel Investments Limited	Shri Krishna Chaitanya Trading Co. Private Limited	Shri Rama Prasad Goenka
Ceat Limited	Kutub Properties Private Limited	Shri Parvathi Suthan Trading Co. LLP	Smt. Sushila Goenka
CESC Limited	Malabar Coastal Holsings Limited	Shreeya Warehousing & Logistics Private Limited	Shri Harsh Vardhan Goenka
CESC Infrastructure Limited	Monitor Portfolio Trust	Soly Commercial Private Limited	Smt. Mala Goenka
CESC Properties Limited	Music World Retail Limited	South Asia Electricity Holdings Limited	Shri Sanjiv Goenka
Chattarpati Investments Limited	Nalanda Power Company Limited	Space Estates Trust	Smt. Preeti Goenka
Crescent Power Limited	Noida Power Company Limited	Spencer & Co. Limited	Shri. Anant Vardhan Goenka
Crystal India Tech Trust	Nucleus Life Trust	Spencer International Hotels Limited	Smt. Radha Goenka
Dakshin Bharat Petrochem Private Limited	Off-Shore India Limited	Spencer's Retail Limited	Shri. Shashwat Goenka
Dhariwal Infrastructure Limited	Organic Trust	Spencer's Travel Services Limited	Rama Prasad Goenka & Sons (HUF)
Doon Dooars Plantations Limited	Organised Investments Limited	Spotboy Tracom Private Limited	Harsh Anant Goenka (HUF)
Dotex Merchandise Private Limited	Pedriano Investments Limited	S S Tarama Clean Energy Private Limited	Sanjiv Goenka & Others (HUF)
Eastern Aviation & Industries Private Limited	Peregrine Enterprises Limited		Anant Vardhan Goenka (HUF)

Auditors' Report

**Auditors' Report to the Members of Phillips Carbon Black Limited**

1. We have audited the attached Balance Sheet of Phillips Carbon Black Limited (the "Company") as at 31st March, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
  - 3.1 (a) The Company has maintained proper records showing full particulars, including quantitative details and situation, of fixed assets.
  - 3.1 (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - 3.1 (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
  - 3.2 (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
  - 3.2 (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - 3.2 (c) On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
  - 3.3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - 3.3 (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - 3.4. In our opinion and according to the information and explanations

given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

- 3.5 (a) In our opinion and according to the information and explanations given to us, the particulars of contracts and arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- 3.5 (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 3.6 The Company has not accepted during the year any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- 3.7 In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- 3.8 We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 3.9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company has been regular in depositing during the year the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- 3.9 (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2011, as applicable, which have not been deposited on account of a dispute, are as follows:

Name of the Statute	Nature of the Dues	Amount (Rs. in lakhs)	Forum where the dispute is pending
Central Sales Tax Act, 1956	Central Sales Tax	443.29	Taxation Tribunal
	Central Sales Tax	688.61 #	Appellate and Revision Board
W. B. Sales Tax Act, 1994	Sales Tax	22.51	Taxation Tribunal
	Sales Tax	106.71##	Appellate and Revision Board
W. B. Value Added Tax Act, 2003	Value Added Tax	69.57	Taxation Tribunal
	Value Added Tax	31.60	Appellate and Revision Board
Central Excise Act, 1944	Excise Duty	187.19	Commissioner (Appeals)
	Excise Duty	2363.54*	Customs, Excise & Service Tax Appellate Tribunal (CESTAT)
	Excise Duty	1.37**	High Court, Kerala
Customs Act, 1962	Customs Duty	15.28	Commissioner (Appeals)
	Customs Duty	24.40	Customs, Excise & Service Tax Appellate Tribunal (CESTAT)

# Stay orders in respect of disputed dues to the extent of Rs.612.48 lakhs have been obtained by the Company

## Stay orders in respect of disputed dues to the extent of Rs.105.62 lakhs have been obtained by the Company

\* Stay order in respect of disputed dues to the extent of Rs.177.17 lakhs has been obtained by the Company

\*\* Stay order in respect of the disputed dues have been obtained by the company.

- 3.10 The Company has no accumulated losses as at 31st March, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any bank as at the balance sheet date. The Company did not have any outstanding to debenture holders or financial institution as at the beginning of the year, nor did it obtain any such loans during the year.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 3.16 In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- 3.17 On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- 3.18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 3.19 The Company has no debentures outstanding at the year-end.
- 3.20 The Company has not raised any money by public issues during the year.
- 3.21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
4. Further to our comments in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants.

P. LAW  
Partner  
(Membership no. 51790)

Kolkata  
3rd May, 2011

## Phillips Carbon Black Limited

### Balance Sheet as at 31st March, 2011

	Schedule	As at 31st March, 2011 <u>Rupees in Lakhs</u>	As at 31st March, 2010 <u>Rupees in Lakhs</u>
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	3,321.70	2,825.26
Convertible Warrants (Note 22 on Schedule 19)		612.50	–
Reserves and Surplus	2	48,295.64	29,615.47
		<u>52,229.84</u>	<u>32,440.73</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	44,883.75	49,592.09
Unsecured Loans		5,260.66	5,953.90
		<u>50,144.41</u>	<u>55,545.99</u>
Deferred Tax Liability (Net) [Note 12 on Schedule 19]		5,689.54	960.00
		<u>108,063.79</u>	<u>88,946.72</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	84,513.41	82,791.41
Less : Depreciation		26,683.76	23,475.38
Net Block		57,829.65	59,316.03
Capital Work in Progress (Note 11.4 on Schedule 19)		20,586.85	9,230.74
		<u>78,416.50</u>	<u>68,546.77</u>
INVESTMENTS	5	5,761.72	3,777.96
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	25,532.76	19,662.01
Sundry Debtors	7	36,254.66	29,496.69
Cash and Bank Balances	8	6,525.34	3,302.59
Other Current Assets	9	4,023.13	1,659.57
Loans and Advances	10	15,509.72	13,283.72
		<u>87,845.61</u>	<u>67,404.58</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	61,626.57	48,764.09
Provisions	12	2,333.47	2,018.50
		<u>63,960.04</u>	<u>50,782.59</u>
NET CURRENT ASSETS		<u>23,885.57</u>	<u>16,621.99</u>
		<u>108,063.79</u>	<u>88,946.72</u>
<b>NOTES ON ACCOUNTS</b>	19		

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above and the attached notes form part of the Balance Sheet.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

**Phillips Carbon Black Limited**

**Profit & Loss Account for the year ended 31st March, 2011**

Schedule	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
<b>INCOME</b>		
Sales - Carbon Black	180,280.31	128,985.57
Less : Excise Duty	18,869.60	11,180.51
	161,410.71	117,805.06
Sales - Power	7,603.64	5,452.34
Other Income	891.09	281.14
Closing Stock of Finished Goods	3,497.47	4,621.89
	<b>173,402.91</b>	<b>128,160.43</b>
<b>EXPENDITURE</b>		
Opening Stock of Finished Goods	4,621.89	3,115.89
Raw Materials Consumed	122,816.96	88,429.00
Expenses	22,936.11	18,339.17
Depreciation	3,857.72	3,114.57
Finance and Other Expenses	2,735.05	2,103.41
	<b>156,967.73</b>	<b>115,102.04</b>
<b>PROFIT BEFORE TAXATION</b>	<b>16,435.18</b>	<b>13,058.39</b>
Provision for Taxation	4,806.78	788.90
<b>PROFIT AFTER TAXATION</b>	<b>11,628.40</b>	<b>12,269.49</b>
Balance brought forward from previous year	13,341.58	3,949.39
Profit available for Appropriation	24,969.98	16,218.88
<b>APPROPRIATIONS</b>		
Proposed Dividend		
- General Dividend	1,660.88	1,130.13
- Golden Jubilee Year Dividend	-	282.53
Tax on Proposed Dividend	269.48	234.64
Dividend relating to earlier year (Note 21 on Schedule 19)	248.22	
Tax thereon	41.21	-
	<b>22,750.19</b>	<b>14,571.58</b>
Transferred to General Reserve	1,165.00	1,230.00
Balance Carried to Balance Sheet (Schedule 2)	<b>21,585.19</b>	<b>13,341.58</b>
Earnings per Share (Rs.)		
- Basic	35.43	43.43
- Diluted	35.43	43.43
<b>NOTES ON ACCOUNTS</b>	<b>19</b>	

This is the Profit and Loss Account referred to in our report of even date.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

The Schedules referred to above and the attached notes form part of Profit and Loss Account.

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

Schedules forming part of the Balance Sheet

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
<b>SCHEDULE 1 – CAPITAL</b>		
AUTHORISED		
50,000,000 Equity Shares of Rs. 10/- each	<u>5,000.00</u>	<u>5,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
25178,155 (31.03.2010 - 20,213,779) Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	2,517.82	2,021.38
Less : Allotment Money receivable	<u>0.07</u>	<u>0.07</u>
	<b>2,517.75</b>	2,021.31
3,692,750 Equity Shares of Rs. 10/- each allotted as fully paid up bonus shares by capitalisation of Share Premium and Revenue Reserve (Note 2 below)	<b>369.28</b>	369.28
4,346,667 Equity Shares of Rs. 10/- each fully paid up pursuant to a contract without payment being received in cash	<u>434.67</u>	<u>434.67</u>
	<b><u>3,321.70</u></b>	<b><u>2,825.26</u></b>

- Notes :** 1(a) Including 4,964,376 Equity Shares of Rs. 10/- each issued during the year (Refer Note 21 on Schedule 19)  
1(b) Allotment of 1,823 shares is pending against Rights issue made during 1993-94  
2 Of the 3,692,750 Shares, 48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
<b>SCHEDULE 2 – RESERVES AND SURPLUS</b>		
Reserves		
Securities Premium Account		
Balance as per last Account	10,814.87	10,814.87
Add : Received during the year (Refer Note 1 below)	9,432.37	—
Less : Share Issue Expenses (Net of Tax Effect Rs. 77.24 lakhs (Previous Year - Rs. Nil)	<u>160.81</u>	<u>—</u>
	<b>20,086.43</b>	10,814.87
Capital Reserve	156.81	156.81
General Reserve		
Balance as per last Account	5,302.21	4,072.21
Add : Transferred during the year	<u>1,165.00</u>	<u>1,230.00</u>
	<b>6,467.21</b>	5,302.21
Surplus		
Profit and Loss Account	<u>21,585.19</u>	<u>13,341.58</u>
	<b><u>48,295.64</u></b>	<b><u>29,615.47</u></b>

- Notes :** 1) Rs 9,432.32 lakhs received on 49,64,376 Equity Shares issued during the year (refer Note 21 on Schedule 19) and Rs. 0.05 lakhs received against realisation of arrear allotment money.

Schedules forming part of the Balance Sheet (Contd.)

SCHEDULE 3 – LOAN FUNDS

	As at 31st March, 2011 <u>Rupees in Lakhs</u>	As at 31st March, 2010 <u>Rupees in Lakhs</u>
<b>SECURED LOANS</b>		
From Banks		
– Cash Credit and other working capital facilities (Note 1 below) [Includes Rs. Nil (31.03.2010 - Rs. 44.19 lakhs) on account of interest accrued and due]	18,233.21	13,285.42
– Term Loans (Note 2 below) [Includes Rs. Nil (31.03.2010 - Rs. 20.43 lakhs) on account of interest accrued and due]	26,620.99	33,747.87
– Commercial Papers (Note 1 below)	–	2,500.00
– Vehicle Loans (Note 3 below)	29.55	58.80
	<u>44,883.75</u>	<u>49,592.09</u>
<b>UNSECURED LOANS</b>		
Loan from Bank - Short term	4,740.50	5,000.00
Dealers Security Deposits	58.00	43.00
Sales Tax Deferred Loans (Note 4 below)	462.16	910.90
	<u>5,260.66</u>	<u>5,953.90</u>
<b>Total Loan Funds</b>	<u>50,144.41</u>	<u>55,545.99</u>

Notes:

- Cash Credit and other working capital facilities - under consortium arrangements are with certain banks. The above Cash Credit and other working capital facilities are secured by way of hypothecation in favour of the banks as and by way of first charge, ranking pari-passu among themselves, of the Company's existing and future stock of Raw Materials, Finished and Semi Finished Goods, Consumable Stores and Spares, including stock in transit and in the possession of any third party, present and future Book debts, Monies Receivables, Claims, etc held by any third party to the order of the disposition of the Company (excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal) and also by a pari-passu second charge created / to be created on the fixed assets of the Company at Durgapur in West Bengal (excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal), Palej and Mundra in Gujarat and Karimugal in Kerala.
- Term Loans :  
Term Loans from Banks other than loan for 30MW Co-generation Power Plant at Durgapur are secured by way of pari-passu first charge created / to be created on all the immovable properties of the Company situated at Durgapur in West Bengal (excluding those relating to 30 MW Co-generation Power Plant

at Durgapur in West Bengal), Palej and Mundra in Gujarat and Karimugal in Kerala, and also on the Company's movable Plant and Machinery, Machinery Spares, Tools and Accessories and other movable properties both present and future excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal. The Term Loan from Banks are also secured by pari-passu second charge on the Company's existing and future stock of Raw Materials, Finished and Semi Finished Goods, Consumable Stores and Spares, including Stock in Transit and in the possession of any third party, present and future Book Debts, Monies Receivable, Claims, etc. held by any third party to the order of the disposition of the Company excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal. Term Loan for 30 MW Co-generation Power Plant at Durgapur in West Bengal is secured by an exclusive charge on the immovable and movable properties pertaining to the said Co-generation Power Plant.

- Vehicle loans are secured by way of hypothecation of vehicles financed by such loans.
- Sales Tax Deferred Loans/ Output Tax Deferred Loans allowed by the State Government of West Bengal are repayable in stipulated periodic installments commencing from August 2006, aggregate amount of such installments repayable within one year is Rs 173.25 lakhs.(Previous Year - Rs 301.80 lakhs).

Schedules forming part of the Balance Sheet (Contd.)

SCHEDULE 4 – FIXED ASSETS

(Rupees in Lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Original/ Revalued cost of Assets as at 31st March, 2010	Additions/ Adjustment during the year at cost	Adjustment to Original/ Revalued cost of Assets for sales etc. during the year	Total Original /Revalued cost as at 31st March, 2011	Depreciation as at 31st March, 2010	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at 31st March, 2011	Balance as at 31st March, 2011	Balance as at 31st March, 2010
<b>Tangible Assets</b>										
Freehold Land	2,159.37	—	—	2,159.37	—	—	—	—	2,159.37	2,159.37
Leasehold Land Acquisition and Development Expenses	799.34	—	—	799.34	—	—	—	—	799.34	799.34
Buildings (a)	6,305.98	53.26	7.20	6,302.04	1,103.39	196.74	4.40	1,295.73	5,056.31	5,202.59
Non-Factory Buildings and Flats	2,356.63	5.76	9.84	2,352.55(b)	354.27	45.30	4.37	395.20	1,957.35	2,002.36
Plant and Machinery	66,332.68	2,192.42	559.30	67,965.80	19,761.58	3,370.82	528.37	22,604.03	45,361.77	46,571.10
Electrical Installations	3,162.93	7.82	117.84	3,052.91	1,258.84	146.07	93.01	1,311.90	1,741.01	1,904.09
Motor Vehicles	458.19	—	30.34	427.85	138.91	40.27	13.73	165.45	262.40	319.28
Furniture, Fixtures and Office Equipment	919.65	203.19	15.93	1,106.91	562.36	58.52	5.46	615.42	491.49	357.29
Railway Sidings	89.62	—	—	89.62	89.01	—	—	89.01	0.61	0.61
<b>Intangible Assets</b>										
Computer Software - Acquired	207.02	—	—	207.02	207.02	—	—	207.02	—	—
	<u>82,791.41</u>	<u>2,462.45</u>	<u>740.45</u>	<u>84,513.41</u>	<u>23,475.38</u>	<u>3,857.72</u>	<u>649.34</u>	<u>26,683.76</u>	<u>57,829.65</u>	<u>59,316.03</u>
Previous Year	<u>44,048.56</u>	<u>39,908.26</u>	<u>1,165.41</u>	<u>82,791.41</u>	<u>21,250.69</u>	<u>3,114.57</u>	<u>889.88</u>	<u>23,475.38</u>	<u>59,316.03</u>	

- Notes :** (a) Cost and accumulated depreciation include Rs. 3952.55 lakhs (31.03.2010 - Rs. 3906.49 lakhs) and Rs. 1102.42 lakhs (31.03.2010 - Rs.988.76 lakhs) respectively in respect of Buildings on Leasehold Land.
- (b) Includes Rs 84.00 lakhs (31.03.2010 - Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs Nil (31.03.2010 - Rs. 9.84 lakhs) being one-sixth share of a jointly owned property.

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
<b>SCHEDULE 5 – INVESTMENTS</b>		
<b>[Note 1(vi) on Schedule 19] (At Cost)</b>		
<b>Long-Term</b>		
<b>TRADE –</b>		
Quoted		
4,155,743 Fully paid Equity Shares of Rs 10/- each in CEAT Ltd. (Sold during the year)	–	2,614.91
<b>OTHER THAN TRADE –</b>		
Quoted		
344,130 Fully paid Equity Shares of Rs. 10/- each in CESC Ltd. (Sold during the year)	–	1,115.74
7,186 Fully paid Equity Shares of Rs. 10/- each in Bank of Baroda	16.53	16.53
11,400 Fully paid Equity Shares of Rs. 10/- each in Indian Overseas Bank	2.74	2.74
600,000 Fully paid Equity Shares of Rs. 10/- each in Norplex Oak India Ltd.	60.00	60.00
1,910,000 Fully paid Equity Shares of Rs. 10/- each in Maple Circuits Ltd.	191.01	191.01
	<u>270.28</u>	<u>1,386.02</u>
Unquoted		
50 Fully paid Preference Shares of Rs. 100/- each in Norplex Oak India Ltd.	0.05	0.05
1,000,480 Fully paid Equity Shares of Rs. 10/- each in Woodlands Multispeciality Hospital Ltd (Note 1 below)	100.05	–
50 Fully paid Preference Shares of Rs.100/- each in Maple Circuits Ltd.	0.05	0.05
	<u>100.15</u>	<u>0.10</u>
Fully paid Equity/Ordinary Shares in Subsidiary Companies		
Unquoted		
18,118 (Previous Year 5,100) Fully paid Equity Shares of Euro 1/- each in Phillips Carbon Black Cyprus Holdings Limited (13,018 Shares acquired during the year)	3,022.40	28.04
5,240,000 Fully Paid Equity Shares of Rs 10/- each in Goodluck Dealcom Private Limited (Acquired during the year)	2,620.00	–
	<u>6,012.83</u>	<u>4,029.07</u>
Less : Provision for diminution in carrying amount of Investments	251.11	251.11
	<u>5,761.72</u>	<u>3,777.96</u>
<b>Notes :</b>		
1. Pursuant to the Scheme of Amalgamation of Woodlands Medical Centre Limited (WMCL) with Woodlands Multispeciality Hospital Ltd. (WMHL) sanctioned vide an Order dated 29th November, 2010 of the Hon'ble High Court Calcutta, the Company had been allotted during the year 1,000,480 Equity Shares of Rs. 10/- each fully paid up in WMHL against Rs. 100.05 lakhs contributed by the Company to the Members' Funds of WMCL and expensed in the accounts in earlier years. Accordingly Contribution so made has been recognised as Investments in this accounts with corresponding credit to Miscellaneous Income (Schedule 13).		
2. Aggregate amount of quoted investments :		
(a) Market value (excluding Norplex Oak India Ltd. and Maple Circuits Ltd. in absence of any current quotation) Rs. 85.58 lakhs (31.03.2010 - Rs. 7,572.74 lakhs)	270.28	4,000.93
(b) Aggregate amount of Unquoted Investments	5,742.55	28.14
	<u>6,012.83</u>	<u>4,029.07</u>
3. Units of Mutual Funds (Current Investments - Other than trade) purchased and sold during the year		
	No. of units	Book Value Rs. in Lakhs
	No. of Units	Book Value Rs. in Lakhs
UTI Liquid Cash Plan Institutional - Daily Income Option - Re-Investment	490,755	5,003
UTI Liquid Cash Plus Institutional - Growth Option	–	–
Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	992,476	9,938
DSP Black Rock Floating Rate Fund - Institutional Plan - Daily Dividend	100,177	1,002
DSP Black Rock Liquidity Fund - Institutional Plan - Daily Dividend	199,955	2,000
HDFC Cash Management Fund - Treasury Advantage Plan - Daily Dividend	38,450,470	3,857
ICICI Prudential Liquid Plan - Institutional - Daily Dividend	126,660	150
UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend Option	855,467	8,556
4. Equity Shares (Long Term Investments - Other than Trade) purchased and sold during the year		
Goodhope Sales Private Limited	10,000	100,000
	–	–
<b>SCHEDULE 6 – INVENTORIES</b>		
<b>[Note 1(vii) on Schedule 19]</b>		
	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
Stores and Spares	1,964.35	1,661.61
Raw Materials	20,070.94	13,378.51
Finished Goods	3,497.47	4,621.89
	<u>25,532.76</u>	<u>19,662.01</u>

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2011	As at 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
<b>SCHEDULE 7 – SUNDRY DEBTORS</b>		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	706.33	600.88
Considered Doubtful	198.56	210.45
Less : Provision	198.56	210.45
	<u>706.33</u>	<u>600.88</u>
Other Debts – Considered good	35,548.33	28,895.81
	<u>36,254.66</u>	<u>29,496.69</u>
<b>SCHEDULE 8 – CASH AND BANK BALANCES</b>		
Cash in Hand	3.09	1.54
Remittances in Transit (including Cheques in Hand)	2,176.00	1,662.75
With Scheduled Banks :		
— On Current Accounts	4,283.63	1,589.46
— On Unpaid and Unclaimed Dividend Accounts	53.35	39.84
— On Margin Money Account against Guarantee	9.27	9.00
	<u>6,525.34</u>	<u>3,302.59</u>
<b>SCHEDULE 9 – OTHER CURRENT ASSETS</b>		
Unsecured Considered Good		
Deposits	1,074.33	1,043.02
[including Rs. 0.80 lakh (31.03.2010 – Rs. 0.80 lakh) in the form of National Savings Certificate II Series]		
Asset held for disposal	—	145.47
Accruals under Duty Exemption Scheme/Duty Drawback pertaining to exports/deemed exports	2,948.80	471.08
	<u>4,023.13</u>	<u>1,659.57</u>
<b>SCHEDULE 10 – LOANS AND ADVANCES</b>		
Unsecured Considered Good		
Advances and Loans to Subsidiary	1,115.75	684.19
Advances recoverable in cash or in kind or for value to be received (Note 10 on Schedule 19)	3,315.29	2,273.00
Balances with Customs, Port Trust and Excise Authorities etc.	4,687.33	6,368.90
Advance payment of Taxes, etc. [net of Provision for Taxation Rs. 12,118.69 lakhs, (31.03.2010 - Rs. 9,246.45 lakhs)]	891.35	1,707.63
MAT Credit Entitlement	5,500.00	2,250.00
	<u>15,509.72</u>	<u>13,283.72</u>
<b>SCHEDULE 11 – LIABILITIES</b>		
Sundry Creditors		
– Dues to Micro Enterprises and Small Enterprises (Note 1 below)	13.81	27.75
– Others	61,293.90	48,460.05
	<u>61,307.71</u>	<u>48,487.80</u>
Due to Subsidiary	0.13	—
Investor Education and Protection Fund shall be credited by the following amounts (Note 2 below) :		
- Unpaid dividend	53.35	39.84
- Unpaid matured deposits	2.93	5.05
Other Liabilities	93.10	111.24
Interest Accrued but not due on Loans	169.35	120.16
	<u>61,626.57</u>	<u>48,764.09</u>
<b>Notes :</b>		
1. Represents amount due to micro enterprises and small enterprises (identified on the basis of information made available during the year by such enterprises to the Company). No balance is outstanding for 45 days or more. No interest in terms of Micro, Small and Medium Enterprises Development Act, 2006 has either been paid or accrued during the year and remaining unpaid as at 31st March, 2011.		
2. No amount was due for deposit as on the Balance Sheet date.		
<b>SCHEDULE 12 – PROVISIONS</b>		
Proposed Dividend		
- General Dividend	1,660.88	1,130.13
- Golden Jubilee Year Dividend	—	282.53
Tax on Proposed Dividend	269.48	234.64
Provisions for Retirement Benefit	403.11	371.20
	<u>2,333.47</u>	<u>2,018.50</u>

Schedules forming part of the Profit & Loss Account

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
<b>SCHEDULE 13 – OTHER INCOME</b>		
Dividend from Long Term Investments		
– Trade Investments	166.23	–
– Others	15.24	14.92
	<u>181.47</u>	14.92
Dividend from Current Investments - Other than Trade	28.67	–
Profit on Sale of current Investments	–	0.66
Sale of Carbon Credit	249.08	–
Profit on Sale of Long Term Investments	4.00	–
Miscellaneous income	427.87	265.56
	<u>891.09</u>	<u>281.14</u>
<b>SCHEDULE 14 – RAW MATERIALS CONSUMED</b>		
Opening Stock	13,378.51	6,638.17
Add : Purchases (Notes 3.1 on Schedule 19)	129,509.39	95,169.34
	<u>142,887.90</u>	101,807.51
Less : Closing Stock	20,070.94	13,378.51
	<u>122,816.96</u>	<u>88,429.00</u>
<b>SCHEDULE 15 – EXPENSES</b>		
Salaries, Wages and Bonus	4,003.15	3,020.39
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	290.54	247.75
Labour and Staff Welfare	476.55	397.52
Consumption of Stores and Spares Parts	4,564.62	3,919.42
Power and Fuel	1,310.50	1,263.34
Water Charges	119.97	103.58
Rent	124.14	116.96
Rates and Taxes	96.73	115.35
Repairs and Maintenance :		
– Buildings	177.96	141.96
– Plant and Machinery	656.30	570.61
– Others	342.85	221.68
	<u>1,177.11</u>	934.25
Insurance	116.87	40.80
Travelling and Transport Expenses	673.50	532.25
Subscriptions and Donations	211.33	124.08
Miscellaneous Expenses	4,149.05	3,288.84
Freight Outward	3,310.96	2,456.66
Commission to Selling Agents	1,330.09	1,052.98
Directors' Fees	7.95	7.25
Research and Development Expenses (Note 3.2 on Schedule 19)	855.70	407.37
Loss on Disposal of Fixed Assets (net)	28.33	92.10
Bad Debts written off [Net of adjustment against Provision for Doubtful Debts Rs. 100.91 (Previous Year Rs. - 1,222.64 lakhs)]	–	7.83
Provision for Doubtful Debts	89.02	210.45
	<u>22,936.11</u>	<u>18,339.17</u>

**Schedules forming part of the Profit & Loss Account (Contd.)**

	<u>Year ended 31st March, 2011 Rupees in Lakhs</u>	<u>Year ended 31st March, 2010 Rupees in Lakhs</u>
<b>SCHEDULE 16 – FINANCE AND OTHER EXPENSES</b>		
Interest (Note 22 on Schedule 19)		
- On Fixed Loans	<b>2,693.58</b>	2,035.23
- On Others	<b>462.58</b>	<u>859.02</u>
	<b>3,156.16</b>	2,894.25
Bank Charges & Discounting Charges	<b>926.04</b>	1,355.70
(Gain)/Loss on Foreign Exchange Fluctuations (net)	<b>(1,347.15)</b>	(2,146.54)
[Includes premium of Rs. Nil (Previous year Rs. 298.71 lakhs) paid on Option Contract]		
	<u><b>2,735.05</b></u>	<u>2,103.41</u>
<b>SCHEDULE 17 – PROVISION FOR TAXATION</b>		
Current Tax	<b>3,250.00</b>	2,250.00
Less : MAT Credit Entitlement	<u><b>3,250.00</b></u>	<u>2,250.00</u>
	-	-
Deferred Tax Charge /(release)	<b>4,806.78</b>	788.90
	<u><b>4,806.76</b></u>	<u>788.90</u>
<b>SCHEDULE 18 – EARNINGS PER SHARE</b>		
(A) Basic and Diluted		
(i) Number of Equity Shares at the beginning of the year	<b>28,253,196</b>	28,253,196
(ii) Number of Equity Shares at the end of the year	<b>33,217,572</b>	28,253,196
(iii) Weighted average number of Equity Shares outstanding during the year	<b>32,823,142</b>	28,253,196
(iv) Face Value of each Equity Shares	<b>10.00</b>	10.00
(v) Profit after Taxation available for Equity Shareholders	<b>11,628.40</b>	12,269.49
(vi) Basic and Diluted Earnings per Share (Rs.) / (v) / (iii)	<b>35.43</b>	43.43

**Note :** In view of the average market price( fair value) of Equity Shares of the company being less than the applicable conversion price,the conversion option embedded in 1,250,000 Convertible Warrants as indicated in Note 22 on Schedule 19 is considered as anti-dilutive and accordingly has not been taken into account for computation of diluted earnings per share.

**SCHEDULE 19 – NOTES ON ACCOUNTS FOR THE YEAR ENDED  
31ST MARCH, 2011**

**1. Significant Accounting Policies:**

The Financial Statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

**i. Fixed Assets**

Fixed assets revalued (basis indicated in Note 11.2 below) are stated at revalued amounts less depreciation. Other fixed assets are stated at cost of acquisition (net of CENVAT credit) or construction less depreciation.

Cost of Computer Software are capitalised in the period in which the software is implemented for use, where it is expected to provide future enduring economic benefit. Capitalisation costs include license fees and cost of implementation / system integration services.

Impairment loss is recognised wherever the carrying amount of fixed assets of a cash generating unit exceeds its recoverable amount i.e. net selling price or value in use, whichever is higher.

**ii. Borrowing Cost**

Borrowing costs attributable to acquisition or construction of qualifying assets (assets which require substantial period of time to get ready for its intended use) are capitalised as part of the cost of such assets. All other borrowing costs are charged to revenue.

**iii. Government Grants**

Grants of Capital nature (not related to specific fixed assets) are credited to Capital Reserve. Grants related to revenue are credited to related expense account.

**iv. Depreciation**

Depreciation on the incremental amount added on revaluation in respect of revalued item is calculated on straight line method at rates considered applicable by valuers.

Computer Software capitalised are amortised over a period of three years from the date of capitalisation.

Depreciation on original cost of fixed assets is provided either on straight line basis or on written down value method at rates specified in Schedule XIV to the Companies Act, 1956. Also refer Note 11.1 below.

**v. Foreign Currency Transaction**

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the year-end are translated at the prevailing exchange rates and the resultant gains/ losses are recognised in the Profit and Loss Account.

The premium or discount in respect of forward exchange contracts are appropriately recognised in the Profit and Loss Account over the period of the contract. Exchange difference arising on such contracts is accounted for in the reporting period in which the exchange rate changes.

**vi. Investments**

Long Term Investments are valued at cost less provision for diminution (other than temporary) in the carrying amount thereof as determined by the Board of Directors based on periodical review.

**vii. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost of Stores and Spares is determined on weighted average basis. Cost of Raw Materials is determined on First In First Out basis.

Cost of Finished Goods includes raw material cost (determined on the basis indicated above), other material cost on weighted average basis, appropriate share of overheads and excise duty payable on subsequent clearance from the factory.

**viii. Recognition of Income and Expenditure**

(a) Sale of carbon black is recognised on completion of sale of goods and the sale of power is recognised based on power off-take by the customer.

(b) Items of income and expenditure are recognised on accrual (except where there are significant uncertainties) and prudent basis.

**ix. Employee Benefits**

**a. Defined Contribution Plans**

Annual contribution payable pursuant to the Company's superannuation scheme to a separate superannuation fund established by the Company for payment of pensions to the employees covered under the scheme and monthly contributions payable to the provident funds maintained with separate Trusts established for Head Office and Durgapur Plant employees and with Regional Provident Fund Commissioners (RPFs) for other employees are recognized as charge on accrual basis. The Company has an obligation to make additional contribution to the Trust in case of inadequacy of the aggregate funds available with the Trustees (mainly comprising net annual return from investments of the Trust) for distribution of annual interest on the balances of the beneficiaries at applicable interest rate notified by the Government.

**b. Defined Benefit Plans**

Liabilities accrued on account of gratuity [covered under policies with Life Insurance Corporation of India (LIC)], leave encashment benefits payable to the employees on cessation of their employment and liabilities accrued towards post employment medical benefits extended to certain categories of employees [comprising payment of annual medical insurance premium to cover hospitalizations and reimbursement of domiciliary medical expenses within a defined monetary limit] are determined by actuarial valuation at the year-end based on the Projected Unit Credit method and are recognized as charge on accrual basis.

**c. Termination Benefits**

Compensation paid under Voluntary Retirement Scheme is recognised as expense immediately.

d. Actuarial gains/losses are recognized immediately in the Profit and Loss Account as income/expense for the year in which they occur.

**x. Research and Development**

Revenue expenditure on research and development is charged off during the period in which it is incurred.

**xi. Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognized, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets on unabsorbed depreciation and carry forward of losses under tax laws are not recognized unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are periodically reviewed to reassess realization thereof.

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

2. Directors' Remuneration :

2.1 Remuneration :

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
Managing Director		
Salary	222.62	159.86
Contribution to Pension, Provident and Gratuity Funds	15.38	11.25
Perquisites	2.88	1.43
	<u>240.88</u>	<u>172.54</u>
Non Executive Directors' Fees	7.95	7.25
Commission to Non Executive Directors	160.00	35.00
	<u>408.83</u>	<u>214.79</u>

2.2 Computation of Directors' Commission :

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
Profit after book depreciation but before taxation	16,435.18	13,058.39
Add :		
Directors' Remuneration	408.83	214.79
Compensation under Voluntary Retirement Scheme	7.50	78.62
	<u>16,851.51</u>	<u>13,351.80</u>
Less :		
Capital Profit on sale of Fixed Assets	3.66	—
Profit on sale of Investments	4.00	—
Excess of expenditure over income as computed under Section 349 of the Companies Act, 1956 in preceding year	—	9,558.00
Net Profit under Section 198 (1)/349 of the Companies Act, 1956 for the purpose of Director's Commission	<u>16,843.85</u>	<u>3,793.80</u>

Note : Maximum Commission in terms of the respective limits specified in the Special Resolution passed in the Annual General Meeting held on 30th July, 2008. 1% of the Net Profits computed as above

Commission to Non Executive Directors restricted to :	160.00	35.00
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3.1 Raw Material Purchase is net of Rs. 3,106.15 lakhs (Previous year - Rs. 1,407.28 lakhs) being benefits under various duty exemption schemes pertaining to exports / deemed exports.

3.2 Research and Development Expenses comprises

	Total Year ended 31st March, 2011	Durgapur	Cochin	Baroda	Mundra
Raw Materials Consumed	643.82 (355.25)	520.73 (355.25)	72.42 —	50.67 —	— —
Salaries Wages and Bonus	173.75 (46.91)	56.08 (46.91)	42.09 —	40.77 —	34.82 —
Contribution of Provident Fund, Superannuation Fund and Gratuity Funds	13.20 (2.71)	3.79 (2.71)	3.33 —	3.63 —	2.45 —
Labour and Staff Welfare	4.91 (1.78)	1.12 (1.78)	2.03 —	1.26 —	0.50 —
Miscellaneous Expenses	20.02 (0.72)	16.33 (0.72)	2.81 —	0.44 —	0.44 —
<b>Total</b>	<b>855.70</b> (407.37)	<b>598.05</b> (407.37)	<b>122.67</b> —	<b>96.77</b> —	<b>38.21</b> —
Capital Expenditure on R & D	51.78 (—)	— (—)	0.65 (—)	51.13 (—)	— (—)

Note: Figures in brackets indicates Previous Years figures.

3.3 Auditor's Remuneration

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
Auditors' Remuneration :		
Audit Fees	20.00	20.00
Tax Audit	4.00	4.00
Others (Certifications)	8.25	4.50
Reimbursement of Expenses (including Service Tax to the extent routed through Profit and Loss Account)	0.39	0.20

4. Total Amount of Consumption of Raw Materials, Stores and Spares :

Raw Materials	Year ended 31st March, 2011		Year ended 31st March, 2010	
	%	Rs. in Lakhs	%	Rs. in Lakhs
Imported	81.62	100,249.27	91.95	81,312.07
Indigenous	18.38	22,567.69	8.05	7,116.93
<b>Total</b>	<b>100.00</b>	<b>122,816.96</b>	<b>100.00</b>	<b>88,429.00</b>
Stores and Spares	Year ended 31st March, 2011		Year ended 31st March, 2010	
	%	Rs. in Lakhs	%	Rs. in Lakhs
Imported	2.95	134.71	6.13	240.44
Indigenous	97.05	4,429.91	93.87	3,678.98
<b>Total</b>	<b>100.00</b>	<b>4,564.62</b>	<b>100.00</b>	<b>3,919.42</b>

5. Particulars of licensed capacity, installed capacity, Finished Goods and Sales

Particulars	Year ended 31st March, 2011				Year ended 31st March, 2010			
	Carbon Black		Power		Carbon Black		Power	
	Quantity MT	Rupees in Lakhs	Unit MW	Rupees in Lakhs	Quantity MT	Rupees in Lakhs	Unit MW	Rupees in Lakhs
(i) Licensed Capacity (per annum)	Not applicable		Not applicable		Not applicable		Not applicable	
(ii) Installed Capacity (per annum) as certified by the Management as at Balance Sheet date	360,000		58		360,000		58	
(iii) Opening and closing stock of finished goods, production/generation and sales :								
<b>Carbon Black :</b>								
Opening Stock	9,254	4,621.89	—		6,657	3,115.89		
Actual Production@*	305,950				258,374			
Closing Stock**	7,790	3,497.47	—		9,254	4,621.89		
Sales (including sweepings)#	308,605	180,280.31	—		255,777	128,985.57		
<b>Power :</b>								
Generation (Million KWH)			339.06				240.48	
			(including Captive Consumption etc. of 109.46)				(including Captive Consumption etc. of 81.68)	
Sales (Million KWH)			229.60	7,603.64			158.80	5,452.34

@including production for

Research and Development runs and reprocessing 1,291 MT

\*Excluding Trial run production of 2,826 MT

\*\* Excluding Trial run production of 1,413 MT

# Excluding Trial run production of 1,413 MT

1,280 MT

2,499 MT

1,191 MT

1,308 MT

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Quantity MT	Rupees Lakhs	Quantity MT	Rupees Lakhs
6. Raw Materials consumed for manufacturing Carbon Black :				
(i) Carbon Black Feed Stock	549,521	119,477.74	465,599	86,487.88
(ii) Tar Oil	16,602	3,953.40	9,396	1,796.50
(iii) Others		1,165.10		499.87
	<u>566,123</u>	<u>124,596.24</u>	<u>474,995</u>	<u>88,784.25</u>
Less : Consumption through Research and Development and trial runs :				
- Carbon Black Feed Stock	7,020	1,673.16	1,985	322.86
- Tar Oil	457	106.12	175	32.39
	<u>558,646</u>	<u>122,816.96</u>	<u>472,835</u>	<u>88,429.00</u>

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees	in Lakhs	Rupees	in Lakhs
7. Earnings in Foreign Exchange Account of				
Export Sales (F.O.B. Value)	32,455.71		17,647.54	
	<u>32,455.71</u>		<u>17,647.54</u>	

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees	in Lakhs	Rupees	in Lakhs
8. CIF Value of Imports :				
(a) Raw Materials	102,649.42		82,750.77	
(b) Stores and Spares	206.89		78.51	
(c) Capital Equipment	695.53		204.76	
	<u>103,551.84</u>		<u>83,034.04</u>	

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rupees	in Lakhs	Rupees	in Lakhs
9. Expenditure in Foreign Currency charged to the Profit and Loss Account on account of :				
(a) Commission on Export Sales	235.11		171.35	
(b) Interest	299.23		272.94	
(c) Consultancy Fees	75.02		-	
(d) Others	171.38		265.43	
	<u>780.74</u>		<u>710.72</u>	

10. Advances recoverable in cash or in kind or for value to be received includes Rs.0.59 lakhs (Previous Year - Rs.0.77 lakhs)(Schedule 10) due by an Officer of the Company, maximum amount due at any time during the year - Rs.0.77 lakhs (Previous Year - Rs.0.93 lakhs).

11.1 For the purpose of these accounts, following methods and rates of depreciation have been used for depreciating the original cost of fixed assets:

- Certain items of Plant and Machinery being energy saving devices added during the period ended 31st March, 1987: Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.
- Other assets added up to 31st March, 1987: Under written down value method at rates specified in Schedule XIV of the Companies Act, 1956.
- Additions since 1st April, 1987: Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.

11.2 Based on the valuation reports submitted by the valuers appointed for the purpose, certain items of the Company's fixed assets [viz., Land (Freehold/Leasehold), Acquisition and Development Expenses, Buildings on such Land, Flats, Electrical Installations, Plant and Machinery and Railway Siding] were revalued on 30th November, 1984, on 30th September, 1991 and also on 30th September, 2001 (except Railway Siding) after considering the following factors:

- estimated current market value pertaining to Land (Freehold/Leasehold), Acquisition and Development Expenses, Buildings on such land and Flats
- Values of Electrical Installations, Plant and Machinery and Railway Siding (when applicable) based on their current cost of replacement
- Adjustments for the condition, the standard of maintenance, depreciation up to valuation dates, etc.

The resultant revaluation surplus of Rs.1,011.07 lakhs, Rs.2,994.04 lakhs and Rs. 5,995.27 lakhs arising from the aforesaid revaluations were transferred to Revaluation Reserve in the Company's annual accounts for the years 1983-84, 1990-91 and 2000-01 respectively. Such Revaluation Reserves have however been fully adjusted in earlier years.

11.3 Depreciation for the year ended 31st March, 2011 on items of fixed assets revalued include an additional charge of Rs. 214.22 lakhs (Previous Year - Rs. 255.84 lakhs) over that calculated on original cost at rates prescribed under Schedule XIV of the Companies Act, 1956 as amended during 1993-94 representing depreciation on the incremental amounts added on revaluation calculated at the rates considered applicable by the valuers.

11.4 Capital Work in Progress includes Capital Advances unsecured, considered good - Rs.2,660.84 lakhs (31st March, 2010 - Rs. 2,604.94 lakhs).

11.5 Capital Work in Progress as at 31st March 2011 includes Raw Materials Consumed Rs 1,183.24 lakhs( Previous Year- Nil), Salaries, Wages and Bonus Rs 107.66 Lakhs (Previous Year- Nil), Contribution to Provident Fund, Super Annuation Fund, Gratuity ,Other Funds Rs 7.24 lakhs(Previous Year- Nil), Labour and Staff Welfare Rs 7.43 lakhs (Previous Year- Nil),Consumption of Stores and spares parts Rs 17.48 lakhs ( Previous Year- Nil), Rent Rs 8.42 lakhs ( Previous Year- Nil),Rates and Taxes Rs 4.09 lakhs(Previous Year- Nil) Repairs and Maintenance- Others Rs 13.61 lakhs(Previous Year- Nil),Insurance Rs 9.31 lakhs (Previous Year - Nil) incurred on various projects under implementation.

12. Details of Deferred Tax Asset/Liability considered in these Accounts :

	As at 31st March, 2011	As at 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
Deferred Tax Liability on account of -		
- Depreciation	7,049.04	6,381.24
	<u>7,049.04</u>	<u>6,381.24</u>
Deferred Tax Asset on account of -		
- Unabsorbed Tax loss/Depreciation	-	5,266.57
- Items allowable for tax purpose on payment/adjustments	1,221.94	66.01
- Share issue Expenses@	61.79	-
- Others	75.77	88.66
	<u>1,359.50</u>	<u>5,421.24</u>
	<u>5,689.54</u>	<u>960.00</u>

@ Represents the balance out of Rs. 77.24 lakhs (31st March 2010 - Nil) initially recognised through Securities Premium Account (Schedule 2).

## SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

13. According to the letters of undertaking given by the Company to the concerned Financial Institutions, its investments in equity shares of Maple Circuits Limited and Norplex Oak India Limited cannot be pledged, charged or otherwise encumbered or disposed off without their prior consent, during the currency of the loan facilities granted by the Financial Institutions to the said companies.

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
14. Contingent Liabilities for :		
(14.1) Claims against the Company not acknowledged as debts :		
- Income-tax matters pending (other than matters set aside for reassessment)	245.12	119.95
- Excise and Customs matter etc	49.63	-
(14.2) Outstanding Bank Guarantees etc.	807.10	716.56

(14.3) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :

on behalf of bodies corporate and others (other than guarantees which according to legal opinion are no longer enforceable against the Company)

- Limit	9.00	9.00
- Outstanding	9.00	9.00

15. Premium on foreign exchange arising from forward exchange contract to be recognised in the accounts of future periods Rs. 183.45 lakhs (Previous year - Rs. 29.00 lakhs).

16. Capital Commitments [(net of advances Rs. 2,660.84 lakhs, (31st March, 2010 - Rs. 2,604.94 lakhs)] not provided for as at 31st March, 2011 are estimated at Rs. 2,390.19 lakhs (31st March, 2010 - Rs. 4,498.24 lakhs).

### 17.1 Reconciliation of opening and closing balances of the present value of defined benefit obligations :

Rupees in Lakhs

	Funded		Unfunded			
	Gratuity		Leave Encashment		Medical	
	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010
Opening balance	755.02	621.65	266.10	160.49	105.11	70.42
Current Service Cost	45.62	46.73	75.44	87.43	-	-
Interest cost	59.36	47.78	20.98	11.76	8.93	5.63
Actuarial loss/(gain)	(22.85)	87.69	(76.46)	33.47	41.62	29.06
(Benefits paid)	(113.37)	(48.83)	(38.59)	(27.05)	-	-
Closing balance	723.78	755.02	247.47	266.10	155.66	105.11

### 17.2 Reconciliation of opening and closing balances of the fair value of plan assets\* :

Rupees in Lakhs

	Gratuity	
	As at 31st March, 2011	As at 31st March, 2010
Opening balance	773.59	569.26
Adjustment@	7.82	104.94
Expected return on Plan Asset	72.67	53.94
Actuarial loss/(gain)	-	1.46
Company's contribution	-	92.82
Benefits paid	(113.37)	(48.83)
Closing balance	740.71	773.59

\*Consisting Funds maintained with LIC. Actual Return thereon awaited.

@ Represents accretion to plan assets relating to earlier years communicated by LIC during the year which has been adjusted against gratuity expense recognised in the accounts.

### 17.3 Amount recognised in Balance Sheet :

Rupees in Lakhs

	Funded		Unfunded			
	Gratuity		Leave Encashment		Medical	
	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010
Present value of obligation	723.78	755.02	247.47	266.10	155.66	105.11
Fair Value of Plan Asset	740.71	773.59	-	-	-	-
Net Asset/(Liability)	16.93	18.57	(247.47)	(266.10)	(155.66)	(105.11)

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

17.4 Amount recognised in Profit and Loss Account -

Rupees in Lakhs

	Gratuity		Leave Encashment		Medical	
	Year Ended 31st March, 2011	Year Ended 31st March, 2010	Year Ended 31st March, 2011	Year Ended 31st March, 2010	Year Ended 31st March, 2011	Year Ended 31st March, 2010
Current service cost	45.62	46.73	75.44	87.43	-	-
Interest cost	59.36	47.78	20.98	11.76	8.93	5.63
Expected Return on Plan Asset	(72.67)	(53.94)	-	-	-	-
Actuarial loss/(gain)	(22.85)	86.23	(76.46)	33.47	41.62	29.06
Recognised in Profit and Loss Account	9.46	126.80	19.96	132.66	50.55	34.69
Under	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund		Salaries, Wages and Bonus		Labour and Staff Welfare	

17.5 Principal Actuarial Assumptions used -

	Year Ended 31st March, 2011	Year Ended 31st March, 2010
Mortality Table	LICI 1994-1996	LICI 1994-1996
Discount rate	8.50%	8.00%
Inflation rate	5.00%	5.00%
Expected Return on assets	8.00%	8.00%
Medical cost trend rates	5.00%	5.00%
Formula used	Projected Unit Credit Method	

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors.

17.6 Effect of increase/decrease of one percentage point in the assumed medical cost trend rates on

	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
	Increase	Decrease	Increase	Decrease
	Rupees in Lakhs		Rupees in Lakhs	
Aggregate of current service cost and interest cost	6.97	6.97	5.58	5.58
Accumulated Post Employment benefit obligation for medical cost	1.30	1.30	0.89	0.89

17.7 Other Disclosures

Rupees in Lakhs

	2010-2011			2009-2010		
	Gratuity	Leave	Medical	Gratuity	Leave	Medical
a) Present Value of Obligation at end of the year	723.78	247.44	155.66	755.02	266.09	105.11
b) Fair Value of Plan Assets at the end of the year	740.71	-	-	773.59	-	-
c) (Surplus)/Deficit as at the end of the year	(16.93)	247.44	155.66	(18.57)	266.09	105.11
d) Experience Adjustment on Plan Obligation [(Gain)/Loss]	28.97	(71.11)	43.04	104.36	35.91	40.21
e) Experience Adjustments on Plan Assets (Gain)/Loss	(18.20)	-	-	(1.45)	-	-

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

17.7 Other Disclosures (Contd.)

Rupees in Lakhs

	2008-2009			2007-2008		
	Gratuity	Leave	Medical	Gratuity	Leave	Medical
a) Present Value of Obligation at end of the year	621.65	160.49	70.42	581.24	92.91	53.03
b) Fair Value of Plan Assets at the end of the year	569.26	–	–	515.98	–	–
c) (Surplus)/Deficit as at the end of the year	52.39	160.49	70.42	65.26	92.91	53.03
d) Experience Adjustment on Plan Obligation [(Gain)/Loss]	9.64	20.96	10.19	1.89	(11.71)	8.16
e) Experience Adjustments on Plan Assets [(Gain)/Loss]	41.28	–	–	32.57	–	–

17.8 As regards contribution to the provident fund maintained with separate Trust, in keeping with consistent practice, the Company's Actuary has carried out an assessment as to the adequacy of the related Trust Fund for distribution of interest at the rate prescribed by the Government and based on such assessment an amount of Rs 20.34 Lakhs ( Previous Year- Nil) towards Shortfall in interest for the year has been provided for by the Company.

17.9 For the Defined Contribution Plans amounts aggregating Rs 299.22 Lakhs( Previous Year-Rs 223.92 lakhs) have been recognized as expense during the year.

The contribution to the Defined Benefit Plans expected to be made by the Company during the annual period beginning after the balance sheet date is yet to be reasonably determined.

18. Segment Reporting

- Information relating to the two business segments, being Carbon Black and Power has been disclosed as primary segments.
- Inter-segment transfers being power consumed for manufacture of carbon black are based on price paid for power purchased from external sources.
- Segment Revenues, Results and Other Information :

Business Segment

(Rupees in Lakhs)

	Year ended 31st March, 2011			Year ended 31st March, 2010		
	Carbon Black	Power	Total	Carbon Black	Power	Total
(i) <b>Segment Revenue</b>						
External Sales	161,410.71	7,603.64	169,014.35	117,805.06	5,452.34	123,257.40
(Refer Profit and loss Account)		2,711.84	2,711.84	—	1,761.00	1,761.00
Inter-segment Sales	161,410.71	10,315.48	171,726.19	117,805.06	7,213.34	125,018.40
(ii) <b>Segment Results</b>						
Profit before interest and tax	14,867.52	7,535.48	22,403.00	14,212.64	5,148.00	19,360.64
Unallocated (expenses)/income (net)			(2,811.66)			(3,408.00)
Interest			(3,156.16)			(2,894.25)
Profit before tax			16,435.18			13,058.39
(iii) <b>Segment Assets</b>						
Unallocated	119,852.01	32,942.33	152,794.34	102,820.24	24,890.34	127,710.58
			19,229.49			12,018.73
			172,023.83			139,729.31
(iv) <b>Segment Liabilities</b>						
Unallocated	61,623.64	—	61,623.64	48,599.04	—	48,599.04
			2,336.40			2,183.55
			63,960.04			50,782.59
(v) <b>Capital Expenditure</b>	12,141.30	1,313.84	13,455.14	4,217.36	6,526.13	10,743.49
(vi) <b>Depreciation</b>	2,432.74	1,348.10	3,780.84	2,095.68	1,018.89	3,114.57
(vii) <b>Non Cash Expense other than Depreciation</b>	—	—	—	—	—	—

Geographical Segment

	Year ended 31.03.2011			Year ended 31.03.2010		
	Within India	Outside India	Total	Within India	Outside India	Total
(i) <b>Segment Revenue</b>	136,558.64	32,455.71	169,014.35	105,609.86	17,647.54	123,257.40
(ii) <b>Capital Expenditure</b>	13,455.14	—	13,455.14	10,862.36	—	10,862.36
(iii) <b>Segment Assets</b>	148,559.13	4,235.21	152,794.34	134,916.35	4,812.96	139,729.31

## SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

### 19. Related Party Disclosures :

(In accordance with Accounting Standard-18 notified under Section 211(3C) of the Companies Act, 1956.)

#### i) Related Parties

Name	Relationship
a) Where control exists	
Phillips Carbon Black Cyprus Holding Limited	Wholly owned Subsidiary Company
PCBL Netherlands Holding BV	Wholly owned Subsidiary Company of Phillips Carbon Black Cyprus Holding Ltd.
Phillips Carbon Black Vietnam Joint Stock Company (Effective from the year ended 31st March 2011)	Subsidiary Company of PCBL Netherlands Holdings BV
Goodluck Dealcom Private Ltd. (Effective from the year ended 31st March 2011)	Wholly Owned Subsidiary Company

#### b) Others

Mr. Ashok Goyal, Managing Director Key Management Personnel

#### ii) Particulars of Transactions during the year ended 31st March, 2011

	Year ended 31st March, 2011	Year ended 31st March, 2010
A) Subsidiary Companies		
a) Equity Contribution to the Subsidiary	2,994.36	1.86
Phillips Carbon Black Cyprus Holding Ltd.		
Goodluck Dealcom Pvt. Limited	2,620.00	-
b) Loans and Advances given		
Phillips Carbon Black Cyprus Holding Ltd.	-	684.19
c) Sale of Shares to Goodluck Dealcom Private Ltd.	1,115.75	-
d) Balance Outstanding Receivable/(Payable) at the year end		
Phillips Carbon Black Cyprus Holding Ltd.	(0.13)	-
Goodluck Dealcom Pvt. Limited	1115.75*	-
B) Key Management Personnel		
a) Directors Remuneration	240.88	172.54

\* Since realised

20. Pending completion of the relevant formalities of transfer of certain assets acquired pursuant to the Scheme of Amalgamation of Transmission Holdings Limited with the Company in 2001-2002, such assets remain included in the books of the Company under the name of the transferor company.
  21. In accordance with SEBI Guidelines and Members approval, the Company has allotted 4,964,376 Equity Shares of Rs10 each at a premium of Rs190 per share to the Qualified Institutional Buyers by way of Qualified Institutional Placements on 30th April 2010. Further in keeping with SEBI regulations, dividends (General and Golden Jubilee Year) at the rate of Rs 5 per share for the year ended 31st March 2010 has also been paid on such shares.
  22. On 30th April, 2010 the Company had allotted on a preferential basis to certain companies in the promoter group, 1,250,000 Convertible Warrants against receipt of 25% of the consideration of Rs 196/- per warrant determined in keeping with the related SEBI Guidelines. Each Warrant is convertible into one Equity Share of nominal value of Rs 10/- each at a premium of 186/- per share at the option of the warrant holders within 18 months from the date of allotment in accordance with relevant SEBI Guidelines and the terms of the issue upon payment of balance consideration by the warrant holders. The shares to be allotted would rank pari passu in all respect with the then existing Equity Shares. In case, the conversion option is not exercised before the expiry of the period allowed for such conversion 25% of the consideration received as aforesaid shall be forfeited.
  23. Expenses are after adjustment of amounts reimbursed to or by the Company.
  24. Interest expenditure is net of Rs. 409.82 lakhs (Previous Year - Rs.226.67 lakhs) being interest earned on Fixed Deposits and Margin Money Deposits and Others [Gross, Tax Deducted at Source Rs.28.21lakhs (31.03.2010 Rs 32.33 lakhs)] and borrowing cost capitalised Rs.851.99 lakhs (31st March, 2010 -Rs. 1508.47 lakhs)
  25. Rent of Rs. 75.07 lakhs (Previous Year - Rs.116.96 lakhs) relates to cancellable operating leases taken on or after 1.04.2001. These lease arrangements range from 11 months to 3 years and are primarily in respect of accommodation for offices; warehouses etc. and inter alia include escalation clause and option for renewal.
  - 26 Previous Year's figures are regrouped or rearranged where considered necessary to
- Signatures to Schedules numbered 1 to 19

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 :**

Balance Sheet abstract and Company's General Business Profile

**(i) Registration Details**

Registration No.	24602
State Code	21
Balance Sheet Date	31.03.2011

**(ii) Capital Raised during the Year  
(Amount in Rs. Thousands)**

Public Issue	Nil
Bonus Issue	Nil
Rights Issue	Nil
Private Placement	49,643.76

**(iii) Position of Mobilisation and Deployment of  
Funds (Amount in Rs. Thousands)**

Total Liabilities	10,806,379
Total Assets	10,806,379

**Sources of Funds**

Paid-up Capital	332,170
Convertible Warrants	61,250
Reserve and Surplus	4,829,564
Secured Loan	4,488,375
Unsecured Loans	526,066
Deferred Tax Liability	568,954

**Applications of Funds**

**(Amount in Rs. Thousands)**

Net Fixed Assets (incl. CWIP)	7,841,650
Investments	576,172
Net Current Assets	2,388,557
Miscellaneous Expenditure	-
Accumulated Losses	-

**(iv) Performance of the Company**

**(Amount in Rs. Thousands)**

Turnover (incl. other income)	18,877,504
Total Expenditure	17,233,986
Profit/(Loss) Before Tax	1,643,518
Profit/(Loss) After Tax	1,162,840
Earning per Share in Rs.	35.43
Dividend (excl. Dividend Tax)	1,909.10

**(v) Generic Names of Three Principal Products/**

**Services of the Company (as per monetary terms)**

Item Code No. :	
(ITC Code)	28030002
Product Description :	Carbon Black
(ITC code)	Not Specified
Product Description :	Electricity

Cash Flow Statement for the year ended 31st March, 2011

	Year ended 31st March, 2011 Rupees in Lakhs	Year ended 31st March, 2010 Rupees in Lakhs
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before taxation	16,435.18	13,058.39
Adjustments for :		
Depreciation	3,857.72	3,114.57
Loss on Disposal of fixed assets (net)	28.33	92.10
Unrealised (gain)/loss (net) on foreign exchange fluctuation	742.96	(1,785.00)
Income from Dividend	(210.14)	(14.92)
Interest (Received/Receivable on Inter Corporate Deposits etc.)	(409.82)	(226.67)
Profit (net) on sale of Investment	(4.00)	(0.66)
Interest (Paid/Payable on loans etc.)	3,565.98	3,120.92
Bad Debts written off (net)	-	7.83
Provision for Doubtful Debts (net)	89.02	210.45
Adjustment on account of investments (Note 1 on Schedule 5)	(100.05)	-
Amortisation of payments under Voluntary Retirement Schemes	-	78.62
	<u>7,560.00</u>	<u>78.62</u>
<b>Operating Profit before Working Capital Changes</b>	<b>23,995.18</b>	<b>17,655.63</b>
Adjustments for :		
Inventories	(5,870.75)	(7,565.04)
Trade and Other Receivables	(8,645.40)	(15,034.07)
Trade Payables	11,839.71	11,676.96
	<u>(2,676.44)</u>	<u>(10,922.15)</u>
<b>Cash Generated from Operations</b>	<b>21,318.74</b>	<b>6,733.48</b>
Direct Taxes Paid (including Tax Deducted at Source)	(2,433.72)	(2,451.00)
Payments under Voluntary Retirement Scheme	-	(6.25)
<b>Net Cash from Operating Activities</b>	<b>18,885.02</b>	<b>4,276.23</b>
<b>B. Cash Flow from Investing Activities</b>		
Payments for fixed assets	(12,966.57)	(9,425.12)
Sale proceeds of fixed assets	208.25	37.97
Purchase of Long Term Investments	(1.00)	-
Proceeds from Sale of Long Term Investments	2,619.90	-
Investment in Subsidiary	(4,930.17)	(1.86)
Advance to Subsidiary	-	(684.19)
Purchase of Current Investment	(30,506.00)	(1,250.00)
Proceeds from Sale of Current Investments	30,506.00	1,250.66
Dividend received from Investments	210.14	14.92
Inter Corporate Deposits given	(5,998.92)	(3,465.00)
Inter Corporate Deposits realised	5,998.92	3,465.00
Interest Received on Inter Corporate Deposits etc.	409.82	226.67
<b>Net Cash used in Investing Activities</b>	<b>(14,449.63)</b>	<b>(9,830.95)</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Share Issue	9,928.81	-
Proceeds from Issue of Convertible Warrants	612.50	-
Share issue Expenses	(238.05)	-
Proceeds from long term borrowings	15.00	-
Proceeds from short term borrowings	17,240.50	8,000.00
Repayment of long term borrowings	(7,584.42)	(4,230.48)
Repayment of short term borrowings	(17,500.00)	(3,000.00)
Proceeds from Issue of Commercial Paper	2,500.00	-
Repayment of Commercial Paper	5,000.00	-
Increase/(Decrease) in cash credit and other working capital facilities from banks	5,169.64	12,340.12
Dividends paid (including tax on dividend)	(1,923.22)	(4.25)
Interest paid	(4,433.40)	(4,961.55)
<b>Net Cash from / (used in) Financing Activities</b>	<b>(1,212.64)</b>	<b>8,143.84</b>
Net Increase in Cash and Cash Equivalents	<b>3,222.75</b>	<b>2,589.12</b>
Opening Cash and Cash Equivalents	<b>3,302.59</b>	<b>713.47</b>
Closing Cash and Cash Equivalents	<b>6,525.34</b>	<b>3,302.59</b>

Notes :

1. The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 Cash Flow Statement.

2. Cash and Cash Equivalents (refer Schedule 8 to Balance Sheet) include balances with scheduled banks on Margin Money Account, not available for immediate use by the Company.

3. Previous year's figures have been regrouped or rearranged, where considered necessary

This is the Cash Flow Statement referred to in our report of even date.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

9.27

9.00

## Auditors' Report on the Consolidated Financial Statements of Phillips Carbon Black Limited

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### The Board of Directors of Phillips Carbon Black Limited

1. We have audited the attached consolidated Balance Sheet of Phillips Carbon Black Limited (the "Company") and its subsidiaries, hereinafter referred to as the "Group" (refer Note 2 on Schedule 19 to the attached consolidated financial statements) as at 31st March, 2011, the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of two subsidiaries included in the consolidated financial statements, which constitute total assets of Rs. 6,758.27 lakhs and net assets of Rs. 6,616.43 lakhs as at 31st March, 2011, total revenue of Rs. 0.05 lakhs, net loss of Rs. 358.53 lakhs and net cash flows amounting to Rs. 46.3 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have

been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2011;
  - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date: and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. LAW  
Partner  
(Membership no. 51790)

Kolkata  
3rd May, 2011

## Consolidated Balance Sheet of Phillips Carbon Black Limited and its Subsidiaries as at 31st March 2011

	Schedule	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	3,321.70	2,825.26
Convertible Warrants (Note 22 on Schedule 19)		612.50	-
Reserves and Surplus	2	47,608.06	29,571.06
		<u>51,542.26</u>	<u>32,396.32</u>
<b>MINORITY INTEREST</b>		<b>549.99</b>	<b>-</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	44,883.75	49,592.09
Unsecured Loans		5,261.16	5,953.90
		<u>50,144.91</u>	<u>55,545.99</u>
Deferred Tax Liability (Net) [Note 7 on Schedule 19]		5,689.54	960.00
		<u>107,926.70</u>	<u>88,902.31</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	87,059.10	82,791.41
Less : Depreciation		26,683.76	23,475.38
Net Block		60,375.34	59,316.03
Capital Work in Progress (Note 6 on Schedule 19)		20,755.01	9,230.74
		<u>81,130.35</u>	<u>68,546.77</u>
<b>INVESTMENTS</b>	5	<b>3,850.27</b>	<b>3,749.92</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	6	25,532.76	19,662.01
Sundry Debtors	7	36,254.66	29,496.69
Cash and Bank Balances	8	6,572.40	3,303.32
Other Current Assets	9	4,023.13	1,659.57
Loans and Advances	10	14,664.38	13,287.27
		<u>87,047.33</u>	<u>67,408.86</u>
Less : <b>CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	11	61,767.78	48,784.74
Provisions	12	2,333.47	2,018.50
		<u>64,101.25</u>	<u>50,803.24</u>
<b>NET CURRENT ASSETS</b>		<b>22,946.08</b>	<b>16,605.62</b>
Deferred Tax Asset (Net) (Note 7 on Schedule 19)		-	-
		<u>107,926.70</u>	<u>88,902.31</u>
<b>NOTES ON CONSOLIDATED FINANCIAL STATEMENTS</b>			
	19		

This is the Consolidated Balance Sheet referred to in our report of even date.

The Schedules referred to above and the attached notes form part of the Consolidated Balance Sheet.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

## Consolidated Profit & Loss Account of Phillips Carbon Black Limited and its Subsidiaries for the year ended 31st March, 2011

	<u>Schedule</u>	<u>Year ended 31st March, 2011</u>	<u>Year ended 31st March, 2010</u>
		<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
<b>INCOME</b>			
Sales - Carbon Black		<b>180,280.31</b>	128,985.57
Less : Excise Duty		<b>18,869.60</b>	11,180.51
		<b>161,410.71</b>	117,805.06
Sales - Power		<b>7,603.64</b>	5,452.34
Other Income	13	<b>891.14</b>	281.14
Closing Stock of Finished Goods		<b>3,497.47</b>	4,621.89
		<b>173,402.96</b>	128,160.43
<b>EXPENDITURE</b>			
Opening Stock of Finished Goods		<b>4,621.89</b>	3,115.89
Raw Materials Consumed	14	<b>122,816.96</b>	88,429.00
Expenses	15	<b>23,379.35</b>	18,386.34
Depreciation		<b>3,857.72</b>	3,114.57
Finance and Other Expenses	16	<b>2,733.37</b>	2,102.43
		<b>157,409.29</b>	115,148.23
<b>PROFIT BEFORE TAXATION AND MINORITY INTEREST</b>		<b>15,993.67</b>	13,012.20
Provision for Taxation	17	<b>4,806.78</b>	788.90
<b>PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST</b>		<b>11,186.89</b>	12,223.30
Minority Interest		<b>82.98</b>	-
<b>PROFIT AFTER TAXATION AND MINORITY INTEREST</b>		<b>11,269.87</b>	12,223.30
Balance brought forward from previous year		<b>13,295.40</b>	3,949.40
Profit available for Appropriation		<b>24,565.27</b>	16,172.70
<b>APPROPRIATIONS</b>			
Proposed Dividend			
- General Dividend		<b>1,660.88</b>	1,130.13
- Golden Jubilee Year Dividend		-	282.53
Tax on Proposed Dividend		<b>269.48</b>	234.64
Dividend relating to earlier year (Note 19 on Schedule 19)		<b>248.22</b>	-
Tax thereon		<b>41.21</b>	-
		<b>22,345.48</b>	14,525.40
Transferred to General Reserve		<b>1,165.00</b>	1,230.00
Balance Carried to Balance Sheet (Schedule 2)		<b>21,180.48</b>	13,295.40
Earnings per Share (Rs.)	18		
- Basic		<b>34.33</b>	43.26
- Diluted		<b>34.33</b>	43.26
<b>NOTES ON CONSOLIDATED FINANCIAL STATEMENTS</b>			
	19		

This is the Consolidated Profit and Loss Account referred to in our report of even date.

The Schedules referred to above and the attached notes form part of Consolidated Profit and Loss Account.

For PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

**Schedules forming part of the Consolidated Balance Sheet**

	<u>As at 31st March, 2011</u>	<u>As at 31st March, 2010</u>
	<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
<b>SCHEDULE 1 – SHARE CAPITAL</b>		
AUTHORISED		
50,000,000 Equity Shares of Rs. 10/- each	<u>5,000.00</u>	<u>5,000.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
25178,155 (31.03.2010 - 20,213,779) Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	<u>2,517.82</u>	2,021.38
Less : Allotment Money receivable	<u>0.07</u>	<u>0.07</u>
	<u>2,517.75</u>	2,021.31
3,692,750 Equity Shares of Rs. 10/- each allotted as fully paid up bonus shares by capitalisation of Share Premium and Revenue Reserve (Note 2 below)	<u>369.28</u>	369.28
4,346,667 Equity Shares of Rs. 10/- each fully paid up pursuant to a contract without payment being received in cash	<u>434.67</u>	434.67
	<u><u>3,321.70</u></u>	<u><u>2,825.26</u></u>

- Notes :** 1(a) Including 4,964,376 Equity Shares of 10 each issued during the year (Refer Note 19 on Schedule 19)  
1(b) Allotment of 1,823 shares is pending against Rights Issue made during 1993-94  
2 Of the 3,692,750 Shares, 48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

	<u>As at 31st March, 2011</u>	<u>As at 31st March, 2010</u>
	<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
<b>SCHEDULE 2 – RESERVES AND SURPLUS</b>		
Reserves		
Securities Premium Account		
Balance as per last Account	<u>10,814.87</u>	10,814.87
Add : Received during the year (Refer Note 1 below)	<u>9,432.37</u>	—
Less : Share Issue Expenses (Net of Tax Effect Rs. 77.24 lacs (Previous Year - Rs. Nil))	<u>160.81</u>	<u>10,814.87</u>
	<u>20,086.43</u>	10,814.87
Capital Reserve	<u>156.81</u>	156.81
Foreign Currency Translation Reserve		
Balance as per last Account	<u>1.77</u>	—
Add/(Less) : Adjustment during the year	<u>(284.64)</u>	<u>1.77</u>
	<u>(282.87)</u>	1.77
General Reserve		
Balance as per last Account	<u>5,302.21</u>	4,072.21
Add : Transferred during the year	<u>1,165.00</u>	<u>1,230.00</u>
	<u>6,467.21</u>	5,302.21
Surplus		
Profit and Loss Account	<u>21,180.48</u>	13,295.40
	<u><u>47,608.06</u></u>	<u><u>29,571.06</u></u>

- Note:** 1 Rs 9,432.32 lakhs received on 49,64,376 Equity Shares issued during the year (refer Note 19 on Schedule 19) and Rs. 0.05 lakhs received against realisation of arrear allotment money.

Schedules forming part of the Consolidated Balance Sheet (Contd.)

**SCHEDULE 3 – LOAN FUNDS**

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
<b>SECURED LOANS</b>		
From Banks		
– Cash Credit and other working capital facilities [Includes Rs. Nil (31.03.2010 - Rs. 44.19 lakhs) on account of interest accrued and due]	18,233.21	13,285.42
– Term Loans from Banks [Includes Rs. Nil (31.03.2010 - Rs. 20.43 lakhs) on account of interest accrued and due]	26,620.99	33,747.87
– Commercial Papers	–	2,500.00
– Vehicle Loans	29.55	58.80
	<b>44,883.75</b>	<b>49,592.09</b>
<b>UNSECURED LOANS</b>		
Loan from Bank - Short Term	4,740.50	5,000.00
Dealers Security Deposits	58.00	43.00
Sales Tax Deferred Loans	462.16	910.90
Loan from Body Corporate	0.50	–
	<b>5,261.16</b>	<b>5,953.90</b>
<b>Total Loan Funds</b>	<b>50,144.91</b>	<b>55,545.99</b>

**SCHEDULE 4 – FIXED ASSETS**

									(Rupees in Lakhs)	
GROSS BLOCK					DEPRECIATION				NET BLOCK	
DESCRIPTION	Original/ Revalued cost of Assets as at 31st March, 2010	Additions/ Adjustment during the year at cost	Adjustment to Original/ Revalued cost of Sales etc. during the year	Total Original /Revalued cost 31st March, 2011	Depreciation as at 31st March, 2010	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at 31st March, 2011	Balance as at 31st March, 2011	Balance as at 31st March, 2010
<b>Tangible Assets</b>										
Freehold Land	2,159.37	–	–	2,159.37	–	–	–	–	2,159.37	2,159.37
<b>Leasehold Land</b>										
Acquisition and Development Expenses	799.34	–	–	799.34	–	–	–	–	799.34	799.34
Buildings (a)	6,305.98	53.26	7.20	6,352.04	1,103.39	196.74	4.40	1,295.73	5,056.31	5,202.59
<b>Non-Factory Buildings and Flats</b>										
	2,356.63	5.76	9.84	2,352.55(b)	354.27	45.30	4.37	395.20	1,957.35	2,002.36
Plant and Machinery	66,332.68	2,192.42	559.30	67,965.80	19,761.58	3,370.82	528.37	22,604.03	45,361.77	46,571.10
<b>Electrical</b>										
Installations	3,162.93	7.82	117.84	3,052.91	1,258.84	146.07	93.01	1,311.90	1,741.01	1,904.09
Motor Vehicles	458.19	–	30.34	427.85	138.91	40.27	13.73	165.45	262.40	319.28
Furniture, Fixtures and Office Equipment	919.65	204.23	15.93	1,107.95	562.36	58.52	5.46	615.42	492.53	357.29
Railway Sidings	89.62	–	–	89.62	89.01	–	–	89.01	0.61	0.61
<b>Intangible Assets</b>										
Goodwill on Cosolidation	–	4.00	–	4.00	–	–	–	–	4.00	–
Computer Software - Acquired	207.02	–	–	207.02	207.02	–	–	207.02	–	–
Land use rights	–	2,540.65	–	2,540.65	–	–	–	–	2,540.65	–
	<b>82,791.41</b>	<b>5,008.14</b>	<b>740.45</b>	<b>87,059.10</b>	<b>23,475.38</b>	<b>3,857.72</b>	<b>649.34</b>	<b>26,683.76</b>	<b>60,375.34</b>	<b>59,316.03</b>
Previous Year	44,048.56	39,908.26	1,165.41	82,791.41	21,250.69	3,114.57	889.88	23,475.38	59,316.03	

**Notes :** (a) Cost and accumulated depreciation include Rs. 3952.55 lakhs (31.03.2010 - Rs. 3906.49 lakhs) and Rs. 1102.42 lakhs (31.03.2010 - Rs.988.76 lakhs) respectively in respect of Buildings on Leasehold Land.  
(b) Includes Rs 84.00 lakhs (31.03.2010 - Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs Nil (31.03.2010 - Rs. 9.84 lakhs) being one-sixth share of a jointly owned property.

Schedules forming part of the Consolidated Balance Sheet (Contd.)

SCHEDULE 5 – INVESTMENTS (Long-Term) [Note 1(vi) on Schedule 19] (At Cost)		As at	As at
		31st March, 2011	31st March, 2010
		Rupees in Lakhs	Rupees in Lakhs
Quoted			
4,155,743	Fully paid Equity Shares of Rs 10/- each in CEAT Ltd. (Sold during the year)	–	2,614.91
1,686,198	(Previous Year 344,130)		
	Fully paid Equity Shares of Rs. 10/- each in CESC Ltd.	3,730.95	1,115.74
7,186	Fully paid Equity Shares of Rs. 10/- each in Bank of Baroda	16.53	16.53
11,400	Fully paid Equity Shares of Rs. 10/- each in Indian Overseas Bank	2.74	2.74
600,000	Fully paid Equity Shares of Rs. 10/- each in Norplex Oak India Ltd.	60.00	60.00
1,910,000	Fully paid Equity Shares of Rs. 10/- each in Maple Circuits Ltd.	191.01	191.01
		<u>4,001.23</u>	<u>4,000.93</u>
Unquoted			
	50 Fully paid Preference Shares of Rs. 100/- each in Norplex Oak India Ltd.	0.05	0.05
	1,000,480 Fully paid Equity Shares of Rs. 10/- each in Woodlands Multispeciality Hospital Ltd (Note 1 below)	100.05	–
	50 Fully paid Preference Shares of Rs.100/- each in Maple Circuits Ltd.	0.05	0.05
		<u>100.15</u>	<u>0.10</u>
		<u>4,101.38</u>	<u>4,001.03</u>
Less : Provision for diminution in carrying amount of Investments		<u>251.11</u>	<u>251.11</u>
		<u>3,850.27</u>	<u>3,749.92</u>
Notes : 1) Pursuant to the Scheme of Amalgamation of Woodlands Medical Centre Limited (WMCL) with Woodlands Multispeciality Hospital Ltd. (WMHL) sanctioned vide an Order dated 29th November,2010 of the Hon'ble High Court Calcutta, the Parent Company had been allotted during the year 1,000,480 Equity Shares of Rs. 10 each fully paid up in WMHL against Rs.100.05 lakhs contributed by the Parent Company to the Members' Funds of WMCL and expensed in the accounts in earlier years. Accordingly Contribution so made has been recognised as Investments in this accounts with corresponding credit to Miscellaneous Income (Schedule 13).			
(2) Aggregate amount of quoted investments : Market value (excluding Norplex Oak India Ltd. and Maple Circuits Ltd. in absence of any current quotation) Rs. 5,354.95 lakhs (Previous Year Rs. 7,572.74 lakhs)		4,001.23	4,000.93
(3) Aggregate amount of Unquoted Investments		100.15	0.01
		<u>4,101.38</u>	<u>4,001.03</u>
SCHEDULE 6 – INVENTORIES [Note 1(vii) on Schedule 19]		As at	As at
		31st March, 2011	31st March, 2010
		Rupees in Lakhs	Rupees in Lakhs
	Stores and Spares	1,964.35	1,661.61
	Raw Materials	20,070.94	13,378.51
	Finished Goods	3,497.47	4,621.89
		<u>25,532.76</u>	<u>19,662.01</u>
SCHEDULE 7 – SUNDRY DEBTORS		As at	As at
		31st March, 2011	31st March, 2010
		Rupees in Lakhs	Rupees in Lakhs
Unsecured			
Debts outstanding for a period exceeding six months			
	Considered Good	706.33	600.88
	Considered Doubtful	198.56	210.45
	Less : Provision	198.56	210.45
		<u>706.33</u>	<u>600.88</u>
Other Debts – Considered good		35,548.33	28,895.81
		<u>36,254.66</u>	<u>29,496.69</u>
SCHEDULE 8 – CASH AND BANK BALANCES		As at	As at
		31st March, 2011	31st March, 2010
		Rupees in Lakhs	Rupees in Lakhs
	Cash in Hand	4.11	1.54
	Remittances in Transit	2,176.00	1,662.75
With Banks :			
—	On Current Accounts	4,329.67	1,590.19
—	On Unpaid and Unclaimed Dividend Accounts	53.35	39.84
—	On Margin Money Account against Guarantee	9.27	9.00
		<u>6,572.40</u>	<u>3,303.32</u>

**Schedules forming part of the Consolidated Balance Sheet (Contd.)**

	<u>As at 31st March, 2011</u>	<u>As at 31st March, 2010</u>
	<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
<b>SCHEDULE 9 – OTHER CURRENT ASSETS</b>		
Unsecured Considered Good		
Other Deposits [including Rs. 0.80 lakh (31.03.2009 – Rs. 0.80 lakh) in the form of National Savings Certificate II Series]	1,074.33	1,043.02
Asset held for disposal	–	145.47
Accruals under Duty Exemption Scheme pertaining to exports/deemed exports	<u>2,948.80</u>	<u>471.08</u>
	<u><b>4,023.13</b></u>	<u><b>1,659.57</b></u>
<b>SCHEDULE 10 – LOANS AND ADVANCES</b>		
Unsecured Considered Good		
Advances recoverable in Cash or in Kind or for value to be received	3,585.70	2,960.74
Balances with Customs, Port Trust and Excise Authorities etc. Advance payment of Taxes, etc. [net of Provision for Taxation Rs. 12,118.69 lakhs, (31.03.2010 - Rs. 9,246.45 lakhs)]	4,687.33	6,368.90
MAT Credit Entitlement	<u>891.35</u>	<u>1,707.63</u>
	<u><b>5,500.00</b></u>	<u><b>2,250.00</b></u>
	<u><b>14,664.38</b></u>	<u><b>13,287.27</b></u>
<b>SCHEDULE 11 – LIABILITIES</b>		
Sundry Creditors	61,448.58	48,508.45
Investor Education and Protection Fund shall be credited by the following amounts (Note below) :		
- Unpaid dividend	53.35	39.84
- Unpaid matured deposits	2.93	5.05
Interest Accrued but not due on borrowings	169.35	120.16
Other Liabilities	<u>93.57</u>	<u>111.24</u>
	<u><b>61,767.78</b></u>	<u><b>48,784.74</b></u>
<b>Note</b> : No amount was due for deposit as on the Balance Sheet date.		
<b>SCHEDULE 12 – PROVISIONS</b>		
Proposed Dividend		
- General Dividend	1,660.88	1,130.13
- Golden Jubilee Year Dividend	–	282.53
	<u><b>1,660.88</b></u>	<u><b>1,412.66</b></u>
Tax on Proposed Dividend	269.48	234.64
Provisions for Retirement Benefit	<u>403.11</u>	<u>371.20</u>
	<u><b>2,333.47</b></u>	<u><b>2,018.50</b></u>

**Schedules forming part of the Consolidated Profit & Loss Account**

	<u>Year ended 31st March, 2011</u>	<u>Year ended 31st March, 2010</u>
	<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
<b>SCHEDULE 13 – OTHER INCOME</b>		
Dividend from Long term Investments	181.47	14.92
Dividend from Current Investments - Other than Trade	28.67	–
Profit on Sale of current Investments (net)	–	0.66
Sale of Carbon Credit	249.08	–
Profit on Sale of Long Term Investments	4.00	–
Miscellaneous income	<u>427.92</u>	<u>265.56</u>
	<u><b>891.14</b></u>	<u><b>281.14</b></u>
<b>SCHEDULE 14 – RAW MATERIALS CONSUMED</b>		
Opening Stock	13,378.51	6,638.17
Add : Purchases (Refer Note 3 on Schedule 19)	<u>129,509.39</u>	<u>95,169.34</u>
	<u><b>142,887.90</b></u>	<u><b>101,807.51</b></u>
Less : Closing Stock	<u>20,070.94</u>	<u>13,378.51</u>
	<u><b>122,816.96</b></u>	<u><b>88,429.00</b></u>

## Phillips Carbon Black Limited

### Schedules forming part of the Consolidated Profit & Loss Account (Contd.)

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rupees in Lakhs	Rupees in Lakhs
<b>SCHEDULE 15 – EXPENSES</b>		
Salaries, Wages and Bonus	4,015.17	3,020.39
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	290.54	247.75
Labour and Staff Welfare	476.55	397.52
Consumption of Stores and Spares Parts	4,564.62	3,919.42
Power and Fuel	1,310.50	1,263.34
Water Charges	119.97	103.58
Rent	133.45	116.96
Rates and Taxes	96.73	115.35
Repairs and Maintenance :		
– Buildings	177.96	141.96
– Plant and Machinery	656.30	570.61
– Others	342.85	221.68
	<u>1,177.11</u>	<u>934.25</u>
Insurance	116.87	40.80
Travelling and Transport Expenses	684.73	532.25
Subscriptions and Donations	211.33	124.08
Miscellaneous Expenses	4,218.95	3,336.01
Freight Outward	3,310.96	2,456.66
Commission to Selling Agents	1,330.09	1,052.98
Directors' Fees	7.95	7.25
Research and Development Expenses	855.70	407.37
Loss on Disposal of Fixed Assets (net)	28.33	92.10
Bad Debts written off [Net of adjustment against Provision for Doubtful Debts Rs. 100.91 lakhs (Previous Year Rs. - 1,222.64 lakhs)]	–	7.83
Provision for Doubtful Debts	89.02	210.45
Pre-operating and Pre-licensing Expenses written off	340.78	–
	<u>23,379.35</u>	<u>18,386.34</u>
<b>SCHEDULE 16 – FINANCE AND OTHER EXPENSES</b>		
Interest (Refer Note 17 on Schedule 19)		
- On Fixed Loans	2,693.58	2035.23
- On Others	461.94	859.02
Bank Charges & Discounting Charges	928.26	1,356.58
(Gain)/Loss on Foreign Exchange Fluctuations (net) [[Includes premium of Rs. Nil (Previous year Rs. 198.71 lakhs) paid on Option Contract]]	(1,350.41)	(2,148.40)
	<u>2,733.37</u>	<u>2,102.43</u>
<b>SCHEDULE 17 – PROVISION FOR TAXATION</b>		
Current Tax	3,250.00	2,250.00
Less : MAT Credit Entitlement	3,250.00	–
Deferred Tax Charge /(release)	4,806.78	788.90
	<u>4,806.76</u>	<u>788.90</u>
<b>SCHEDULE 18 – BASIC AND DILUTED EARNINGS PER SHARE</b>		
<b>EARNING PER SHARE</b>		
(i) Number of Equity Shares at the beginning of the year	28,253,196	28,253,196
(ii) Number of Equity Shares at the end of the year	33,217,572	28,253,196
(iii) Weighted average number of Equity Shares outstanding during the year	32,823,142	28,253,196
(iv) Face Value of each Equity Shares	10.00	10.00
(v) Profit after Taxation and Minority Interest attributable to Equity Shareholders of the parent Company	11,269.87	12,223.30
(vi) Basic and Diluted Earnings per Share (Rs.) / (v) / (iii)	34.33	43.26

**Note :** In view of the average market price( fair value) of Equity Shares of the company being less than the applicable conversion price,the conversion option embedded in 1,250,000 Convertible Warrants as indicated in Note 20 on Schedule 19 is considered as anti-dilutive and accordingly has not been taken into account for computation of diluted earnings per share.

## SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS

### 1. Significant Accounting Policies:

#### i. Fixed Assets

Fixed assets revalued (basis indicated in Note 5.1 below) are stated at revalued amounts less depreciation. Other fixed assets are stated at cost of acquisition (net of CENVAT credit) or construction less depreciation.

Cost of Computer software are capitalised in the period in which the software is implemented for use, where it is expected to provide future enduring economic benefit. Capitalisation costs include license fees and cost of implementation / system integration services.

Impairment loss is recognised wherever the carrying amount of fixed assets of a cash generating unit exceeds its recoverable amount i.e. net selling price or value in use, whichever is higher.

#### ii. Borrowing Cost

Borrowing costs attributable to acquisition or construction of qualifying assets (assets which require substantial period of time to get ready for its intended use) are capitalised as part of the cost of such assets. All other borrowing costs are charged to revenue.

#### iii. Government Grants

Grants of Capital nature (not related to specific fixed assets) are credited to Capital Reserve. Grants related to revenue are credited to related expense account.

#### iv. Depreciation

Depreciation on the incremental amount added on revaluation in respect of revalued item is calculated on straight line method at rates considered applicable by valuers.

Computer Software capitalised are amortised over a period of three years from the date of capitalisation.

Land use rights are amortised over its period of use. Depreciation on original cost of fixed assets is provided either on straight line basis or on written down value method at rates specified in Schedule XIV to the Companies Act, 1956 (Also refer Note 4 below).

#### v. Foreign Currency Transaction

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the year-end are translated at the prevailing exchange rates and the resultant gains/ losses are recognised in the Profit and Loss Account.

The premium or discount in respect of forward exchange contracts are appropriately recognised in the Profit and Loss Account over the period of the contract. Exchange difference arising on such contracts is accounted for in the reporting period in which the exchange rate changes.

#### vi. Investments

Long Term Investments are valued at cost less provision for diminution (other than temporary) in the carrying amount thereof as determined by the Board of Directors based on periodical review.

#### vii. Inventories

Inventories are valued at lower of cost and net realisable value. Cost of Stores and Spares is determined on weighted average basis. Cost of Raw Materials is determined on First In First Out basis. Cost of Finished Goods includes raw material cost (determined on the basis indicated above), other material cost on weighted average basis, appropriate share of overheads and excise duty payable on subsequent clearance from the factory.

### viii. Recognition of Income and Expenditure

a) Sale of carbon black is recognised on completion of sale of goods and the sale of power is recognised based on power off-take by the customer.

(b) Items of income and expenditure are recognised on accrual (except where there are significant uncertainties) and prudent basis.

### ix. Employee Benefits

#### a. Defined Contribution Plans

Annual contribution payable pursuant to the Parent Company's superannuation scheme to a separate superannuation fund established by the Parent Company for payment of pensions to the employees covered under the scheme and monthly contributions payable to the provident funds maintained with separate Trusts established for Head Office and Durgapur Plant employees and with Regional Provident Fund Commissioners (RPFs) for other employees are recognised as charge on accrual basis. The Parent Company has an obligation to make additional contribution to the Trust in case of inadequacy of the aggregate funds available with the Trustees (mainly comprising net annual return from investments of the Trust) for distribution of annual interest on the balances of the beneficiaries at applicable interest rate notified by the Government.

#### b. Defined Benefit Plans

Liabilities accrued on account of gratuity [covered under policies with Life Insurance Corporation of India (LIC)] and leave encashment benefits payable to the employees on cessation of their employment and liabilities accrued towards post employment medical benefits extended to certain categories of employees [comprising payment of annual medical insurance premium to cover hospitalisation and reimbursement of domiciliary medical expenses within a defined monetary limit] are determined by actuarial valuations at the year-end based on the Projected Unit Credit Method and are recognized as charge on accrual basis.

#### c. Termination Benefits

Compensation paid under Voluntary Retirement is recognized as an expense immediately.

d. Actuarial gains/losses are recognized immediately in the Profit and Loss Account as income/expense for the year in which they occur.

### x. Research and Development

Revenue expenditure on research and development is charged off during the period in which it is incurred.

### xi. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets on unabsorbed depreciation and carry forward of losses under tax laws are not recognized unless there is virtual certainty that there will be sufficient future taxable income available to realize such assets. Deferred tax assets are periodically reviewed to reassess realisation thereof.

### xii. Consolidation

a) Consolidated financial statements relate to Phillips Carbon Black Limited, the Parent Company and its subsidiaries

**SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)**

(the Group). The consolidated financial statements are in conformity with the Accounting Standard – 21 on Consolidated Financial Statements notified under Section 211(3C) of the Companies Act, 1956 of India(the Act) and are prepared as set out below:

- i. The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after adjustments / elimination of inter company balances, transactions including unrealized profits on inventories etc, if any.
  - ii. The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent required and possible, in the same manner as the Parent Company's separate financial statements.
  - iii. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for assets and liabilities of foreign subsidiaries using the closing exchange rates at the Balance Sheet date, for revenues, costs and expenses using average rates prevailing during the period. The resultant exchange difference arising out of such transactions is recognized as part of equity (Foreign Currency Translation Reserve) by the Parent Company until the disposal of Investment.
  - iv. The excess of cost to the Parent Company of its investment in the subsidiaries over the Parent's portion of equity of the subsidiaries at the dates they became subsidiaries is recognized in the financial statements as goodwill.
  - v. Minority interest in the consolidated financial statements is identified and recognized after taking into consideration:
    - The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.
    - The minorities' share of movement in equity since the date parent - subsidiary relationship came into existence.
    - Adjustment of the losses attributable to the minorities against the minority interest in the equity of the subsidiaries and thereafter adjustment of the excess of loss, if any, over the minority interest in the equity against the majority interest.
2. The Consolidated Financial Statements comprise the financial statements of the Parent Company and its subsidiary companies as detailed below:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest
Phillips Carbon Balck Cyprus Holding Limited (PCBCHL)	Cyprus	100%
PCBL Netherlands Holdings B.V.	The Netherlands	100%
Phillips Carbon Balck Vietnam Joint Stock Company	Vietnam	80%
Goodluck Dealcom Pvt. Ltd.	India	100%

3. Raw Material Purchase is net of Rs 3,106.15 lakhs (Previous year - Rs. 1,407.28 lakhs) being benefits under various duty exemption schemes pertaining to exports / deemed exports.
4. For the purpose of these accounts, following methods and rates of depreciation have been used for depreciating the original cost of fixed assets:
  - (a) Certain items of Plant and Machinery being energy saving devices added during the period ended 31st March, 1987: Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.
  - (b) Other assets added up to 31st March, 1987: Under written down value method at rates specified in-Schedule XIV of the Companies Act, 1956.
  - (c) Additions since 1st April, 1987: Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.
- 5.1 Based on the valuation reports submitted by the valuers appointed for the purpose, certain items of the Parent Company's fixed assets [viz., Land (Freehold / Leasehold), Acquisition and Development Expenses, Buildings on such Land, Flats, Electrical Installations, Plant and Machinery and Railway Siding] were revalued on 30th November, 1984, on 30th September,1991 and also on 30th September, 2001 (except Railway Siding) after considering the following factors:
  - estimated current market value pertaining to Land (Freehold/Leasehold), Acquisition and Development Expenses, Buildings on such land and Flats
  - Values of Electrical Installations, Plant and Machinery and Railway Siding (when applicable) based on their current cost of replacement.
  - Adjustments for the condition, the standard of maintenance, depreciation up to valuation dates, etc.

The resultant revaluation surplus of Rs.1,011.07 lakhs, Rs.2,994.04 lakhs and Rs. 5,995.27 lakhs arising from the aforesaid revaluations were transferred to Revaluation Reserve in the Parent Company's annual accounts for the years 1983-84,1990-91 and 2000-01 respectively. Such Revaluation Reserves however, have been fully adjusted in earlier years.
- 5.2 Depreciation for the year ended 31st March, 2011 on items of fixed assets revalued include an additional charge of Rs. 214.22 lakhs (Previous Year - Rs. 255.84 lakhs) over that calculated on original cost at rates prescribed under Schedule XIV of the Companies Act, 1956 as amended during 1993-94 representing depreciation on the incremental amounts added on revaluation calculated at the rates considered applicable by the valuers.
- 6 Capital Work in Progress includes Capital Advances unsecured, considered good - Rs.2,660.84 lakhs (31st March, 2010 – 2,604.94 lakhs)
7. Details of Deferred Tax Asset/Liability considered in these accounts :-

	As at 31st March, 2011 Rupees in Lakhs	As at 31st March, 2010 Rupees in Lakhs
Deferred Tax Liability on account of - Depreciation	7,049.04	6,381.24
	<u>7,049.04</u>	<u>6,381.24</u>
Deferred Tax Asset on account of - - Unabsorbed Tax loss/Depreciation	-	5,266.57
- Items allowable for tax purpose on payment/adjustments	1,221.94	66.01
- Share Issue Expenses@	61.79	-
- Others	75.77	88.66
	<u>1,359.50</u>	<u>5,421.24</u>
	<u>5,689.54</u>	<u>960.00</u>

@Represents the balance out of Rs. 77.24 lakhs (31st March 2010-Nil) initially recognised through Securities Premium Account (Schedule 2)

**SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)**

8. According to the letters of undertaking given by the Parent Company to the concerned Financial Institutions, its investments in equity shares of Maple Circuits Limited and Norplex Oak India Limited cannot be pledged, charged or otherwise encumbered or disposed off without their prior consent, during the currency of the loan facilities granted by the Financial Institutions to the said companies.

<b>As at 31st March, 2011 Rupees in Lakhs</b>	<b>As at 31st March, 2010 Rupees in Lakhs</b>
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9. Contingent Liabilities for :

(9.1) Claims against the Company not acknowledged as debts :		
- Income-tax matters pending (other than matters set aside for reassessment)	<b>245.12</b>	119.95
- Excise and Customs matter etc.	<b>49.63</b>	-
(9.2) Outstanding Bank Guarantees etc.	<b>807.10</b>	716.56

(9.3) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :

on behalf of bodies corporate and others (other than guarantees which according to legal opinion are no longer enforceable against the Company)

– Limit	<b>9.00</b>	9.00
– Outstanding	<b>9.00</b>	9.00

10. Premium on foreign exchange contract arising from forward exchange to be recognized in the accounts of future periods is Rs. 183.45 lakhs (31st March, 2010 – Rs 29.00 lakhs).

11. Capital Commitments [net of advances Rs. 2,668.89 lakhs (31st March, 2010 - Rs. 2,604.94 lakhs)] not provided for as at 31st March, 2011 are estimated at Rs. 2,598.50 lakhs (31st March, 2010 - Rs. 4,498.24 lakhs).

12.1 Reconciliation of opening and closing balances of the present value of defined benefit obligations –

**Rupees in Lakhs**

	Funded		Unfunded			
	Gratuity		Leave Encashment		Medical	
	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010
Opening balance	<b>755.02</b>	621.65	<b>266.10</b>	160.49	<b>105.11</b>	70.42
Current Service Cost	<b>45.62</b>	46.73	<b>75.44</b>	87.43	–	–
Interest cost	<b>59.36</b>	47.78	<b>20.98</b>	11.76	<b>8.93</b>	5.63
Actuarial loss/(gain)	<b>(22.85)</b>	87.69	<b>(76.46)</b>	33.47	<b>41.62</b>	29.06
(Benefits paid)	<b>(113.37)</b>	(48.83)	<b>(38.59)</b>	(27.05)	–	–
Closing balance	<b>723.78</b>	755.02	<b>247.47</b>	266.10	<b>155.66</b>	105.11

12.2 Reconciliation of opening and closing balances of the fair value of plan assets\* –

**Rupees in Lakhs**

	Gratuity	
	As at 31st March, 2011	As at 31st March, 2010
Opening balance	<b>773.59</b>	569.26
Adjustment@	<b>7.82</b>	104.94
Expected return on Plan Asset	<b>72.67</b>	53.94
Actuarial (loss)/gain	–	1.46
Company's contribution	–	92.82
Benefits paid	<b>(113.37)</b>	(48.83)
Closing balance	<b>740.71</b>	773.59

\*Consisting Funds maintained with LIC. Actual Return thereon awaited.

@ Represents accretion to plan assets relating to earlier years communicated by LIC during the year which has been adjusted against gratuity expense recognized in the accounts.

12.3 Amount recognised in Balance Sheet –

**Rupees in Lakhs**

	Funded		Unfunded			
	Gratuity		Leave Encashment		Medical	
	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010	As at 31st March 2011	As at 31st March 2010
Present value of obligation	<b>723.78</b>	755.02	<b>247.47</b>	266.10	<b>155.66</b>	105.11
Fair Value of Plan Asset	<b>740.71</b>	773.59	–	–	–	–
Net Asset/(Liability)	<b>16.93</b>	18.57	<b>(247.47)</b>	(266.10)	<b>(155.66)</b>	(105.11)

SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

12.4 Amount recognised in Profit and Loss Account -

Rupees in Lakhs

	Gratuity		Leave Encashment		Medical	
	As at 31st March, 2011	As at 31st March, 2010	As at 31st March, 2011	As at 31st March, 2010	As at 31st March, 2011	As at 31st March, 2010
Current service cost	45.62	46.73	75.44	87.43	-	-
Interest cost	59.36	47.78	20.98	11.76	8.93	5.63
Expected Return on Plan Asset	(72.67)	(53.94)	-	-	-	-
Actuarial loss/(gain)	(22.85)	86.23	(76.46)	33.47	41.62	29.06
Recognised in Profit and Loss Account	9.46	126.80	19.96	132.66	50.55	34.69
Under	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund		Salaries, Wages and Bonus		Labour and Staff Welfare	

12.5 Principal Actuarial Assumptions used -

	As at 31st March, 2011	As at 31st March, 2010
Mortality Table	LICI 1994-1996	LICI 1994-1996
Discount rate	8.50%	8.00%
Inflation rate	5.00%	5.00%
Expected Return on assets	8.00%	8.00%
Medical cost trend rates	5.00%	5.00%
Formula used	Projected Unit Credit Method	

The estimates of future salary increase considered in the actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors.

12.6 Effect of increase/decrease of one percentage point in the assumed medical cost trend rates on :

	Year Ended 31st March, 2011		Year Ended 31st March, 2010	
	Increase	Decrease	Increase	Decrease
	Rupees in Lakhs		Rupees in Lakhs	
Aggregate of current service cost and interest cost	6.97	6.97	5.58	5.58
Accumulated Post Employment benefit obligation for medical cost	1.30	1.30	0.89	0.89

12.7 Other Disclosures

Rupees in Lakhs

	2010-2011			2009-2010		
	Gratuity	Leave	Medical	Gratuity	Leave	Medical
a) Present Value of Obligation at end of the year	723.78	247.44	155.66	755.02	266.10	105.11
b) Fair Value of Plan Assets as at the end of the year	740.71	-	-	773.59	-	-
c) (Surplus)/Deficit as at the end of the year	(16.93)	247.44	155.66	(18.57)	266.10	105.11
d) Experience Adjustment on Plan Obligation [(Gain)/Loss]	28.97	(71.11)	43.04	104.36	35.91	40.21
e) Experience Adjustments on Plan Assets (Gain)/Loss	(18.20)	-	-	(1.45)	-	-

SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

12.7 Other Disclosures (Contd.)

Rupees in Lakhs

	2008 - 2009			2007 - 2008		
	Gratuity	Leave	Medical	Gratuity	Leave	Medical
a) Present Value of Obligation at end of the year	621.65	160.49	70.42	581.24	92.92	53.03
b) Fair Value of Plan Assets as at the end of the year	569.26	–	–	515.98	–	–
c) (Surplus)/Deficit as at the end of the year	52.39	160.49	70.42	65.26	92.92	53.03
d) Experience Adjustment on Plan Obligation [(Gain)/Loss]	9.64	20.96	10.19	1.89	(11.71)	8.16
e) Experience Adjustments on Plan Assets [Gain]/Loss]	41.28	–	–	32.57	–	–

12.8 As regards contribution to the provident fund maintained with separate Trust, in keeping with consistent practice, the Parent Company's Actuary has carried out an assessment as to the adequacy of the related Trust Fund for distribution of interest at the rate prescribed by the Government and based on such assessment an amount of Rs. 20.34 Lakhs ( Previous Year - Nil) towards shortfall in interest for the year has been provided for by the Parent Company.

12.9 For the Defined Contribution Plans amounts aggregating Rs. 299.22 Lakhs( Previous Year - Rs 223.92 lakhs) have been recognized as expense during the year.

The contribution to the Defined Benefit Plans expected to be made by the Parent Company during the annual period beginning after the balance sheet date is yet to be reasonably determined.

13. Segment Reporting

- Information relating to the two business segments, being carbon black and power has been disclosed as primary segments.
- Inter-segment transfers being power consumed for manufacture of carbon black are based on price paid for power purchased from external sources.
- Segment Revenues, Results and Other Information :

Business Segment

(Rupees in Lakhs)

	Year ended 31.03.2011			Year ended 31.03.2010		
	Carbon Black	Power	Total	Carbon Black	Power	Total
(i) Segment Revenue						
External Sales	161,410.71	7,603.64	169,014.35	113,805.06	5,452.34	123,257.40
Inter-segment Sales	–	2,711.84	2,711.84	–	1,761.00	1,761.00
	161,410.71	10,315.48	171,726.19	117,805.06	7,213.34	125,018.40
(ii) Segment Results						
Profit before interest and tax	14,867.52	7,535.48	22,403.00	14,212.64	5,148.00	19,360.64
Unallocated (expenses)/ income (net)			(3,253.81)			(3,454.19)
Interest			(3,155.52)			(2,894.25)
Profit Before Tax and Minority Interest			15,993.67			13,012.20
(iii) Segment Assets						
Unallocated	122,560.75	32,942.33	153,503.08	102,820.24	24,890.34	127,710.58
			16,524.87			11,994.97
			172,027.95			139,705.55
(iv) Segment Liabilities						
Unallocated	61,623.64	–	61,623.64	48,599.04	–	48,599.04
			2,477.61			2,204.20
			64,101.25			50,803.24
(v) Capital Expenditure	14,851.15	1,313.84	16,164.99	4,217.36	6,526.13	10,743.49
(vi) Depreciation	2,432.74	1,348.10	3,780.84	2,095.68	1,018.89	3,114.57
(vii) Non Cash Expense other than Depreciation	–	–	–	–	–	–

Geographical Segment

	Year ended 31.03.2011			Year ended 31.03.2010		
	Within India	Outside India	Total	Within India	Outside India	Total
(i) Segment Revenue	136,558.64	32,455.71	169,014.35	105,609.86	17,647.54	123,257.40
(ii) Capital Expenditure	13,455.14	2,709.85	16,164.99	10,862.36	–	10,862.36
(iii) Segment Assets	148,559.13	6,943.95	155,503.08	134,892.59	4,812.96	139,705.55

## SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL ACCOUNTS (Contd.)

### 14. Related Party Disclosures

(In accordance with Accounting Standard-18 notified under Section 211(3C) of the Companies Act, 1956.)

#### i) Related Parties

Name	Relationship
Mr. Ashok Goyal, Managing Director of the Parent Company	Key Management Personnel

#### ii) Particulars of Transactions during the year ended 31st March, 2011

	Year ended 31st March, 2011	Year ended 31st March, 2010
	Rs. in Lakhs	Rs. in Lakhs
A) Key Management Personnel		
a) Managing Director's Remuneration	240.88	172.54

15. Pending completion of the relevant formalities of transfer of certain assets acquired pursuant to the Scheme of Amalgamation of Transmission Holdings Limited with the Parent Company in 2001-2002, such assets remain included in the books of the Parent Company under the name of the transferor company.
16. Expenses are after adjustment of amounts reimbursed to or by the Company.
17. Interest expenditure is net of Rs.410.46 lakhs (31st March, 2010 - Rs.226.67 lakhs) being interest earned on Fixed Deposits and Margin Money Deposits and others [Gross, Tax Deducted at source Rs 28.21 lakhs (31st March, 2010 Rs 32.33 lakhs)] and borrowing cost capitalised Rs.851.99 lakhs.(31st March, 2010 Rs 1508.47 lakhs).
18. Rent of Rs. 75.07 lakhs (31st March, 2010 - Rs. 116.96 lakhs) relates to cancelable operating leases taken on or after 1.04.2001.

These lease arrangements range from 11 months to 3 years and are primarily in respect of accommodation for employees, offices, warehouses etc. and inter alia include escalation clause and option for renewal.

19. In accordance with SEBI Guidelines and Members approval, the Parent Company has allotted 4,964,376 Equity Shares of Rs 10 each at a premium of Rs 190 per share to the Qualified Institutional Buyers by way of Qualified Institutional Placements on 30th April, 2010. Further in keeping with SEBI regulations, dividends (General and Golden Jubilee Year) at the rate of Rs 5 per share for the year ended 31st March, 2010 has also been paid on such shares.
20. On 30th April, 2010 the Parent Company had allotted on a preferential basis to certain companies in the promoter group, 1,250,000 Convertible Warrants against receipt of 25% of the consideration of Rs 196/- per warrant determined in keeping with the related SEBI Guidelines. Each Warrant is convertible into one Equity Share of nominal value of Rs 10/- each at a premium of Rs 186/- per share at the option of the warrant holders within 18 months from the date of allotment in accordance with relevant SEBI Guidelines and the terms of the issue upon payment of balance consideration by the warrant holders. The shares to be allotted would rank pari passu in all respect with the then existing Equity Shares. In case, the conversion option is not exercised before the expiry of the period allowed for such conversion 25% of the consideration received as aforesaid shall be forfeited.
21. Previous years figures have been regrouped or re-arranged where considered necessary to make the same comparable with current years figures.

Signatures to Schedules numbered 1 to 19

For and on behalf of  
PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

# Phillips Carbon Black Limited

## Consolidated Cash Flow Statement of Phillips Carbon Black Limited and its Subsidiaries for the year ended 31st March, 2011

	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees in Lakhs		Rupees in Lakhs	
<b>A. Cash Flow from Operating Activities</b>				
Net Profit before Taxation Monthly Interest		15,993.67		13,012.20
Adjustments for :				
Depreciation	3,857.72		3,114.57	
Loss on Disposal of fixed assets (net)	28.33		92.10	
Unrealised (gain)/loss (net) on foreign exchange fluctuation	742.96		(1,785.00)	
Foreign Currency Translation Reserve	(284.67)		1.77	
Income from Dividend	(210.14)		(14.92)	
Interest (Received/Receivable on Inter Corporate Deposits etc.)	(410.46)		(226.67)	
Profit (net) on sale of Investment	(4.00)		(0.66)	
Interest (Paid/Payable on loans etc.)	3,565.98		3,120.92	
Bad Debts written off (net)	-		7.83	
Adjustment on account of investments (Note 1 on Schedule 5)	89.02		210.45	
Provision for Doubtful Debts (net)	(100.05)		-	
Amortisation of payments under Voluntary Retirement Schemes	89.02		210.45	
	-	7,274.69	78.62	4,599.01
Operating Profit before Working Capital Changes		<u>23,268.36</u>		<u>17,611.21</u>
Adjustments for :				
Inventories	(5,870.75)		(7,565.04)	
Trade and Other Receivables	(8,228.03)		(15,037.26)	
Trade Payables	11,960.23		11,676.96	
		<u>(2,138.55)</u>		<u>(10,925.34)</u>
Cash Generated from Operations		21,129.81		6,685.87
Direct Taxes Paid (including Tax Deducted at Source)		(2,433.72)		(2,451.00)
Payments under Voluntary Retirement Scheme		-		(6.25)
Net Cash from Operating Activities		<u>18,885.02</u>		<u>4,228.62</u>
<b>B. Cash Flow from Investing Activities</b>				
Payments for fixed assets	(15,676.42)		(9,425.12)	
Sale proceeds of fixed assets	208.25		37.97	
Purchase of Long Term Investments	(2,616.21)		-	
Proceeds from Sale of Long Term Investments	2,619.91		-	
Advance Paid for setting up of a Joint Stock Company in Vietnam	-		(637.71)	
Purchase of Current Investment	(30,506.00)		(1,250.00)	
Proceeds from Sale of Current Investments	30,506.00		1,250.66	
Consideration for Acquisition of a Subsidiary	(5.00)		-	
Dividend received from Investments	210.14		14.92	
Inter Corporate Deposits given	(5,998.92)		(3,465.00)	
Inter Corporate Deposits realised	5,998.92		3,465.00	
Interest Received on Inter Corporate Deposits etc.	410.46		226.67	
Net Cash used in Investing Activities		<u>(14,848.87)</u>		<u>(9,782.61)</u>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds from Share Issue	9,928.81		-	
Proceeds from Issue of Convertible Warrants	612.50		-	
Proceeds from issue of shares and advance received on account of issue of share by a Subsidiary Company to its Minority Shareholders	632.97		-	
Share issue Expenses	(238.05)		-	
Proceeds from long term borrowings	15.00		8,000.00	
Proceeds from short term borrowings	17,241.00		-	
Repayment of long term borrowings	(7,584.42)		(4,230.48)	
Repayment of short term borrowings	(17,500.00)		(3,000.00)	
Increase/(Decrease) in Cash Credit and other working capital facilities from Banks	5,169.64		12,340.12	
Proceeds from Issue of Commercial Paper	2,500.00		-	
Repayment of Commercial Paper	(5,000.00)		-	
Dividends paid (including tax on dividend)	(1,923.22)		(4.25)	
Interest paid	(4,433.40)		(4,961.55)	
Net Cash from / (used in) Financing Activities		<u>(579.17)</u>		<u>8,143.84</u>
<b>D. Exchange differences on Translation of Foreign Currency Cash and Cash Equivalents</b>		0.03		-
Net Increase in Cash and Cash Equivalents		3,268.08		2,589.85
Opening Cash and Cash Equivalents	3,303.32		713.47	
Add : Acquisition from	1.00		-	
Closing Cash and Cash Equivalents		<u>6,572.40</u>		<u>3,303.32</u>

**Notes :**

1. The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 Cash Flow Statement.

2. Cash and Cash Equivalents (refer Schedule 8 to Balance Sheet) include balances with scheduled banks on Margin Money Account, not available for immediate use by the Company.

3. Previous year's figures have been regrouped or rearranged, where considered necessary

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of  
PRICE WATERHOUSE  
Firm Registration Number 301112E  
Chartered Accountants

P. Law  
Partner  
(Membership no. 51790)

Kolkata,  
3rd May, 2011

Kaushik Mukherjee  
Company Secretary

Ashok Goyal  
Managing Director

K. S. B. Sanyal  
O. P. Malhotra  
Directors

9.27

9.00

**The information in aggregate for each subsidiary including subsidiaries of subsidiaries of the company in terms of direction under 212(8) of the Companies Act, 1956**

Figs. in Lacs

Sl No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities (excluding Capital and Reserves)	Details of Investment (except in case of investment in the Subsidiaries)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1.	Phillips Carbon Black Cyprus Holding Ltd.	INR	11.43	3,009.84	3,023.51	2.24	-	-	(9.95)	-	(9.95)	-
		Euro	0.18	47.73	47.95	0.04	-	-	(0.16)	-	(0.16)	-
2.	PCBL Netherlands Holding B.V.	INR	11.35	(47.22)	2,967.26	3,003.13	-	-	(33.27)	-	(33.27)	-
		Euro	0.18	(0.75)	47.05	47.62	-	-	(0.53)	-	(0.53)	-
3.	Phillips Carbon Black Vietnam Joint Stock Co.	INR	2,561.98	(50.04)	3,312.27	800.32	-	-	(49.53)	-	(49.53)	-
		VND	1,201,623.91	(23,468.28)	1,553,525.52	375,369.89	-	-	(23,230.24)	-	(23,230.24)	-
4.	Goodluck Dealcom Pvt. Ltd.	INR	524.00	2,092.00	1.08	1,119.97	3,730.95	-	(4.44)	-	(4.44)	-
		INR	524.00	2,092.00	1.08	1,119.97	3,730.95	-	(4.44)	-	(4.44)	-

Exchange rates as at year end considered for conversion :

Euro 1 = Rs. 63.06

Euro 1 = VND 29576.52

VND 1 = Rs. 0.002132097 Derived

## Financial Summary 2006 - 2011

(Rupees in Lakhs)

	2010-11	2009-10	2008-09	2007-08	2006-07
Sales	<b>187,883.95</b>	134,437.91	120,033.02	106,802.87	10,566.95
Other Income	<b>891.09</b>	281.14	1,444.17	533.78	346.68
Expenses	<b>172,339.86</b>	121,660.66	131,207.24	96,058.21	102,458.99
Profit Before Tax	<b>16,435.18</b>	13,058.39	(9,730.05)	11,278.44	4,454.64
Taxation	<b>4,806.78</b>	788.90	(3,245.91)	2,347.59	2,101.44
Profit After Tax	<b>11,628.40</b>	12,269.49	(6,484.14)	8,930.85	2,353.20
Dividend (including Tax)	<b>2,219.79</b>	1,647.30	—	118,411.80	590.90
Retained Profits/(Loss)	<b>9,408.61</b>	10,622.19	(6,484.14)	7,749.05	1,762.30
Capital Employed	<b>108,063.79</b>	88,946.72	64,545.34	56,851.23	45,909.77
Application of Funds Fixed Assets (including CWIP)	<b>78,416.50</b>	68,546.77	61,074.51	37,541.49	28,138.09
Investments	<b>5,761.72</b>	3,777.96	3,776.10	2,805.52	2,805.52
Net Current Assets	<b>23,885.57</b>	16,621.99	377.64	16,504.22	14,966.15



## Phillips Carbon Black Limited

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