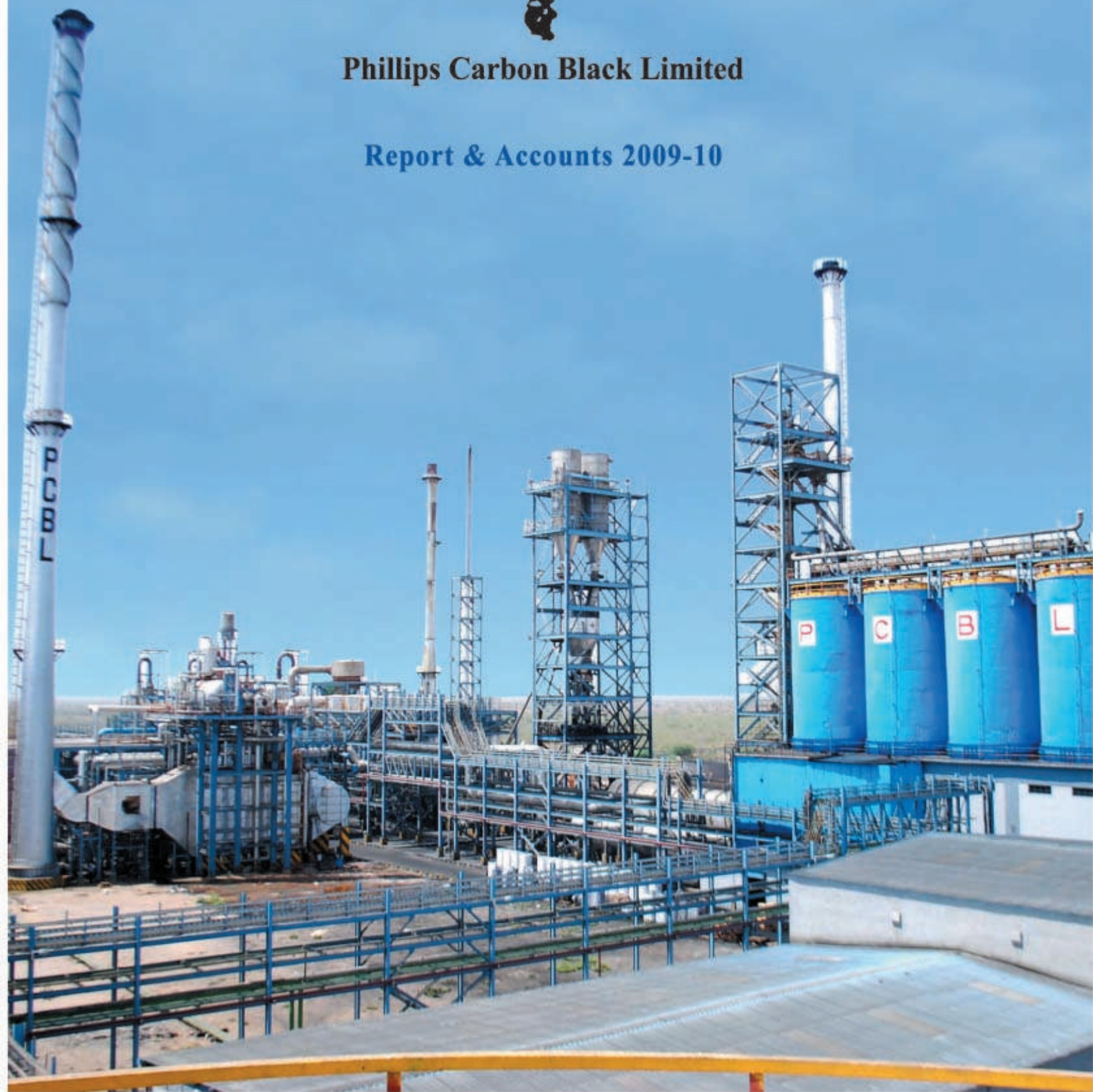




Phillips Carbon Black Limited

Report & Accounts 2009-10





1000kg bulk bags and 25kg paper bags ready for despatch from the Kochi plant.



Phillips Carbon Black Limited

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Cover : A bird's eye view of the 90,000 MTPA Carbon Black plant at Mundra, Gujarat, which went into operation on 17 October, 2009.

Dr R P Goenka
Chairman Emeritus

Board of Directors

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

Company Secretary

Mr Kaushik Mukherjee

Banks

Bank of Baroda
Allahabad Bank
State Bank of India
State Bank of Bikaner & Jaipur
IDBI Bank Limited
Export Import Bank of India
State Bank of Travancore
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 Forty-ninth Annual General Meeting of the Members of Phillips Carbon Black Limited will be held at "Vidya Mandir" 1, Moira Street, Kolkata-700017 on Friday, the 23rd day of July, 2010 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, 2010, 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, 2010.
3. To appoint a Director in place of Mr. C R Paul, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Paras K Chowdhary, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS:

To consider, and if thought fit, to pass with or without modification(s) the following resolution:

6. (As a Special Resolution)

"Resolved that in accordance with the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 read with Schedule XIII thereto, and other applicable provisions if any, and any amendment or modification thereof, and subject to such other approvals as may be necessary, the Company hereby approves the re-appointment of Mr. Ashok Goyal, as Managing Director of the Company for a further period of three years with effect from 23rd October, 2009 on the terms and conditions and remuneration as set out in the Agreement, to be executed by the Company with Mr. Ashok Goyal, a draft of which initialled by the Chairman for the purpose of identification is placed before the meeting as also set out in the Explanatory Statement attached to this notice."

Registered Office :
31, Netaji Subhas Road
Kolkata-700 001
28th April, 2010

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 13th July, 2010 to 23rd July, 2010 (both days inclusive).
5. The Company has transferred all unclaimed or unpaid Dividend declared upto the financial year ended 30th September, 2002 to the Investor Education and Protection Fund (IEPF) of the Central Government pursuant to Section 205A(5) of the Companies Act, 1956.
6. Dividends for the financial year ended 30th September, 2003 and thereafter, which remain unclaimed or unpaid for a period of seven years will be transferred to the IEPF under Section 205A(5) of the Act. Members who have not encashed the dividend warrant(s) so far for the financial year ended 30th September, 2003 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 30th September, 2003 is due to be transferred to the aforesaid Fund immediately after 9th April, 2011.
7. 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.
8. 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.
9. Brief Profile of Directors seeking re-appointment at the Annual General Meeting is annexed to this Notice.

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

Item no. 5

The Board of Directors of the Company at its meeting held on 24th July, 2009, re-appointed Mr. Ashok Goyal as Managing Director of the Company for a further period of three years with effect from 23rd October, 2009, subject to approval of the members of the Company and such other approvals as may be necessary. During his tenure, Mr. Ashok Goyal shall, subject to the provisions of Schedule XIII of the Companies Act, 1956, be entitled to receive the following remuneration:

Basic Salary	: Rs. 3,00,000/- per month
Management Allowance	: Rs. 3,00,000/- per month
Customised Allowance Pool	: Rs. 92,06,000/- p.a

Perquisites:

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

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

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

Minimum Remuneration: In the event of absence or inadequacy of profits in any financial year during the tenure

of the appointment, Mr. Ashok Goyal will be entitled to draw the subsisting remuneration as Minimum Remuneration.

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

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

Payment of the above remuneration to Mr. Ashok Goyal has been approved by the Remuneration Committee of the Board duly held on 24th July, 2009 and will be in accordance with Schedule XIII to the Companies Act, 1956 as applicable.

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

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

The approval of members is being sought for re-appointment of Mr. Ashok Goyal as per item no. 5 of the Notice.

The Directors recommended that the Resolution set out in item no. 5 of the Notice be passed in the interest of the Company.

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

Registered Office :
31, Netaji Subhas Road
Kolkata-700 001
28th April, 2010

By Order of the Board

Kaushik Mukherjee
Company Secretary

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

Mr. Chittaranjan Paul

Date of Birth	1st June, 1927
Qualification	M. Sc.
Expertise in Specific Functional Areas	Mr. C R Paul is a noted corporate advisor of RPG Group, one of the India's top industrial houses and Ex-Managing Director of Calcutta Electric Supply Corporation having interest in Electrical and Thermal Power. He was also associated with Govt. of India, Environment Appraisal Committee for Thermal Power Projects as a Member.
Directorship held in other Companies	Kilburn Office Automation Limited.

Mr. Paras Kumar Chowdhary

Date of Birth	1st October, 1951
Qualification	B.Sc. Physics (Hons.)
Expertise in Specific Functional Areas	Mr. Paras K Chowdhary has extensive experience of the Tyre Industry. He is presently Managing Director of CEAT Limited. Earlier he was President and Whole-time Director of Apollo Tyres Limited. He was also Chairman of the Automotive Manufacturers Association, representative body for the Tyre Industry in India.
Directorship held in other Companies	Rado Tyres Limited, Spencer International Hotels Limited, CEAT Limited, Harrisons Malayalam Limited, Summit Securities Limited, Sea Princes Co-Operative Housing Society Limited, Associated CEAT (Pvt.) Limited, ACT Company (Pvt.) Limited, Associated CEAT Holdings (Pvt.) Limited, CEAT Kelani Associated Holdings (Pvt.) Limited, CEAT Kelani International (Pvt.) Limited.

Mr. Ashok Goyal

Date of Birth	16th December, 1950
Qualification	B.Tech from IIT Kharagpur, PGDBM from IIM, Kolkata, Executive Development Program from London Business School.
Expertise in Specific Functional Areas	Mr. Ashok Goyal is having an overall experience of around 35 years. He has rich international experience and has worked in various industries in India and abroad viz. consumer electronics and durable, tyre, plantation, textile and EPC contracting. He has presented various case studies on turnaround at IIM's and is widely regarded as a corporate turnaround expert.
Directorship held in other Companies	RPG Power Trading Company Limited, Phillips Carbon Black Cyprus Holdings Limited, PCBL Netherlands Holdings B.V.

Directors' Report, Management Discussion and Analysis

Your Directors are pleased to present the Forty-Ninth Report and Accounts of Phillips Carbon Black Limited for the financial year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

Year ended	31.03.10	31.03.09
Revenue -		
- Carbon black	1,178.05	1,060.51
- Power	54.52	15.51
- Other Income	2.81	14.44
Total Revenue	1,235.38	1,090.46
PBDIT	190.67	(50.18)
Less: Interest (net)	28.94	27.48
PBDT	161.73	(77.66)
Less: Depreciation	31.15	19.64
PBT	130.58	(97.30)
Provision for Taxation	7.89	(32.46)
PAT	122.69	(64.84)
Balance brought forward	39.49	104.33
Profit available for Appropriation	162.18	39.49
Proposed Dividend	11.30	—
Proposed Golden Jubilee Year Dividend	2.83	—
Tax on aforesaid Dividends	2.34	—
Transfer to General Reserve	12.30	—
Balance carried forward to Balance Sheet	133.41	39.49

DIVIDEND

Your Directors recommend for approval of members at the ensuing Annual General Meeting a dividend of 40% which will absorb Rs.11.30 crore and Golden Jubilee Year dividend of 10% on the paid up share capital of the Company which will absorb Rs.2.83 crore. The tax on aforesaid dividends to be borne by the Company will be Rs.2.34 crore.

INDUSTRY STRUCTURE & DEVELOPMENT

During 2009, global demand for carbon black dropped 7.5% from 9.78 million MT to 9.05 million MT. Global capacity for carbon black was 12.7 million MT but capacity utilization was 71% during 2009 due to continuing lower demand in USA, Europe and South East Asian markets. Defying the global trend, India and China witnessed significant growth on the

back of strong domestic consumption and stimulus packages implemented by the Government. A few of the plants in the Asia Pacific region, which had been moth-balled earlier, were restarted during 2009.

(Rs. in crore) In India, demand for carbon black during FY10 was 605,000 MT vis-à-vis 470,000 MT in FY09, i.e., a growth of 29%. Total production during FY10 was 633,000 MT. Your Company commissioned its 90,000 MT carbon black plant at Mundra during second half of FY10 and a new entrant commenced operation with a 40,000 MT plant in eastern region during first half of FY10. Recently, one of the global players in the carbon black industry has announced closure of its facility in India. With this development, total installed carbon black capacity in India now stands at 700,000 MT.

Anti-dumping duty was imposed on import of carbon black from China, Russia, Australia and Thailand for a period of 5 years. Despite imposition of anti dumping duty, carbon black imports increased by 30% during FY10. The threat of dumping will continue to prevail as long as global carbon black capacity utilization remains lower than that in India.

PERFORMANCE

Carbon Black

Your Company for the first time since inception achieved triple digit profit (PAT) of Rs.122.69 crore in FY10 and Operating Profit (PBDIT) of Rs.190.67 crore. Factors which contributed significantly to this healthy turn around in FY10 are higher sales volume of 255,777 MT vis-à-vis 210,553 MT in FY09

and jump in power revenue as detailed below.

Power

Your Company's power generation capacity received tremendous boost during FY10 with the commencement of commercial operation of 30 MW Co-generation Power Plant (CPP) at Durgapur on 1st April, 2009 and 16 MW CPP at Mundra on 24th December, 2009. Revenue from power sale was 3.5 times higher in FY10 i.e. Rs. 54.52 crore vis-à-vis Rs.15.51 crore during FY09. The contribution of power segment to the Company's profit increased significantly in FY10 with the commissioning of aforesaid CPPs, coupled with higher unit price realization during FY10.

Manufacturing

The commissioning of the 90,000 MT carbon black plant (greenfield) at Mundra on 17th October, 2009 helped the Company to move up in the global ranking from 10th to 8th. The strategic location of its four plants in different parts of India should facilitate your Company to optimize

Research and Development

Research and Development activities during FY10 received noticeable boost with your Company launching special carbon black grades for non rubber applications. These new grades have been accepted well by customers in the domestic market, as their performance is comparable to imported products. While the contribution of these grades in the overall top line of the Company was modest during FY10, the Company has chalked out plans to ramp up sales from this segment in the coming years.

Environment, Health, Safety and Social Responsibility

Your Company took various initiatives to achieve greater heights in Environment, Health and Safety. It has adopted new policies for greener surroundings and is currently working with India Trees Foundation, while strictly adhering to the Environment, Health and Safety norms at all its manufacturing locations.

Concerted efforts to incorporate Corporate Social Responsibility (CSR) continued during FY10 for e.g., Health/Eye check up camps, Hepatitis B & C screening tests, Rural Area Development, Free distribution of medicines, Aids Awareness Programme and support to a few institutions engaged in social service were organised.

Sustained emphasis was put on education initiatives. The Company tied up with SMILE Foundation, an NGO working in 21 states reaching out to over 100,000 children. The CSR team at Kochi has completed the first batch of Computer Literacy Programme offered by IGNOU for housewives from the local community. Educational kits were distributed to under-privileged children.

Human Resource Development

Human Resources continue to be a focus area for your Company. Several initiatives were taken to facilitate the performance and developmental requirements of employees. The efforts to enhance the effectiveness of Balanced Business Scorecard were strengthened by the newly launched 360 degree appraisal system viz. "EXCEL" and online training through portal.

Your Company's manpower requirements for the greenfield plant at Mundra and existing manufacturing units were carefully planned and benchmarked with global organizations. The recruitment for Mundra was organised timely, facilitating flawless commissioning of the plant.

Industrial relations scenario at all units continues to be healthy.

Internal Control System and Adequacy

Your Company which has adequate internal control systems in all areas of operation, utilizes the services of internal and external auditors from time to time and also its in-house experts and resources. The Company continuously upgrades these systems in line with the best available practices. These

reports and variance analysis are regularly discussed with members of Management Committee and actions taken wherever necessary.

An independent Audit Committee of the Board reviews the adequacy of Internal Control.

Opportunities and Threats

Your Company is on the lookout for opportunities and threats that exist in its business and is geared up to make the best of the opportunities while facing the threats.

Opportunities

- Currently almost all tyre companies in India are executing green field/brown field expansion projects to meet increasing demand for tyres from replacement as well as OE segments, particularly for passenger radial tyres.
- A few major global automakers have announced significant investments in India which will raise the demand for carbon black in future.
- The thrust on infrastructure development, particularly roads, coupled with the rise in domestic disposable income should have favourable impact on demand for tyres and consequently carbon black.
- Launch of the smaller car during FY10 has paved the way for development of smaller cars by other players in the auto industry, which should push the four-wheeler population in India. The auto companies may also cater to demand for smaller car in overseas markets from their facilities in India resulting in higher demand for carbon black particularly for OE segment.
- Your Company can generate electricity from lean gases (which are currently flared in one of its plants) to improve overall profitability.

Threats

- Carbon black/tyre import.
- Expansion of carbon black manufacturing capacities simultaneously by domestic competitors.
- Withdrawal of Anti Dumping Duty on carbon black.
- Inadequate infrastructure at ports, resulting into detention of vessels and higher freight cost.

Segmentwise Performance

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

Risks and Concern

The raw material for the Company i.e. Carbon Black Feedstock (CBFS) is residual oil from distillation process of crude and is subject to high volatility, whereas the price of 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 raw material inventory write down as well as 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 carbon black capacity at Mundra by setting up another 50,000 MT plant, which is expected to be commissioned during Q3FY11. The Company will also expand cogeneration power capacity by 8 MW at Mundra which is expected to be commissioned during next financial year. Further, a 10 MW CPP is being set up at Kochi for which orders have been placed for critical equipment. Construction activity is in full swing. This project is expected to be commissioned during Q4FY11. The existing 2.5 MW CPP at Kochi will be de-commissioned when the 10 MW CPP commences commercial operation. Upon completion of aforesaid projects, PCBL's total carbon black manufacturing capacity will reach 410,000 MT and power generation capacity 76 MW.

Statutory clearances for proposed 65,000 MT carbon black and 12 MW CPP at Vietnam are awaited. Project is scheduled to be commissioned within 24 months of receipt of statutory clearances.

Qualified Institutional Placement (QIP) and Preferential Warrants Issue

Pursuant to members approval and in accordance with SEBI Regulations, the Company has received applications from Qualified Institutional Buyers for 49.64 lakh shares @Rs.200/- per share. The allotment process will be completed shortly.

In accordance with SEBI Regulations and necessary approval of members, the Company has offered to the promoter group 12,50,000 convertible warrants @ Rs.196/- each with an option to subscribe to one equity share of Rs.10/- each at a premium of Rs.186/- per share fully paid up within 18 months from the date of allotment.

Wholly Owned Subsidiary

In compliance with the requirements of Section 212(2) of the Companies Act, 1956, the Directors Report, the Balance Sheet and Profit and Loss Account of the wholly owned subsidiaries viz., Phillips Carbon Black Cyprus Holdings Limited (PCBL Cyprus) and PCBL Netherlands Holdings B.V. (PCBL Netherlands) along with the Report of the auditors of PCBL Cyprus and PCBL Netherlands are annexed to this Annual Report.

The Consolidated Financial Statements of the Company and its aforesaid subsidiaries duly audited by the statutory auditor

of the Company prepared in compliance with the applicable Accounting Standards and the Listing Agreements with the stock exchanges is included in this Annual Report.

FUTURE OUTLOOK

Carbon Black

The quick recovery of the Indian economy and its return to the growth trajectory, coupled with the revival of auto sector have resulted in significant demand growth for carbon black. As mentioned earlier, almost all major customers in tyre segment have either announced or undertaken major green field/brown field expansion projects which are expected to commence commercial production during the next 12 to 18 months. A couple of global tyre majors have also announced plans to initiate manufacturing facilities in India. Domestic demand for carbon black is expected to grow @ 9% to 10% for FY11. Further, a few major automobile companies are developing smaller cars for domestic as well as overseas market, which may see India emerge as an export hub for smaller cars, resulting into exponential demand growth for carbon black after 3 to 5 years. With the commissioning of 90,000 MT carbon black facility at Mundra and further expansion of 50,000 MT at the same location, your Company is well poised to meet the increasing demand for carbon black in the domestic market.

Demand for carbon black in overseas markets, particularly USA and Japan, has started picking up in the recent past, whereas the demand in Europe may take a little longer to recover. Your Company has already initiated process for product approval, particularly for the Mundra facility, with potential customers in Europe and USA. The Company will lay significant thrust on export during FY11.

Any increase in carbon black import from current level may have adverse impact on the demand supply situation in the domestic market.

Power

Your Company's initiative to create additional revenue stream from power received encouraging response during FY10. It is likely to grow further in the coming years. The full year impact of 16 MW CPP commissioned at Mundra will be visible in FY11. Further, 10 MW CPP is expected to be commissioned during Q4FY11 at Kochi and a 8 MW CPP at Mundra during FY12. Total installed capacity will increase to 68 MW in FY11 and 76 MW by FY12. The quantum of power available for sale is expected to double in FY11 and keeping in view the prevailing gap between demand and supply of electricity the net realization is expected to be higher in FY11 vis-à-vis FY10.

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

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

with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed. This forms an integral part of this Report.

Public Deposits

The Company does not have any Fixed Deposit Scheme and have repaid all Fixed Deposits that matured and were claimed by the depositors under the earlier Fixed Deposit Schemes. Matured unclaimed deposits as on 31st March, 2010 is Rs.5.05 lakh. Apart from matured unclaimed deposits, no amount is outstanding as on 31st March 2010. Reminders have been sent to all depositors who have not claimed repayment of matured deposits.

Notes on Accounts

Regarding the Auditors' comments on remuneration to Managing Director, the Directors draw your attention to Note 2.2 of Schedule 19 forming part of Accounts. The observations made by auditors should be read together with the note referred to, which is self explanatory.

Particulars of Employees

Pursuant to the provision of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the Particulars of Employees, though forming part of this Report is not being mailed to members and the same is available for inspection at the Registered Office of the Company during working hours for a period of clear 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 reappointment.

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 2010.

Messrs Shome & Banerjee, Cost Accountants, have given their consent for conducting the audit of the cost accounts for the financial year ending 31st March 2011, if appointed.

Directors

Mr. C R Paul and Mr. P K Chowdhary retire by rotation and being eligible offer themselves for reappointment.

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, Government authorities, banks and customers. They also thank them for the trust reposed in the Management and wish to thank all employees for their commitment and contributions.

For and on behalf of the Board

Kolkata
28th April, 2010

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, 2010.

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 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 10 MW CPP at Kochi and 8 MW CPP at Mundra.

(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
A. Power and Fuel consumption :		
1. Electricity		
(a) Purchased units (KWH)	11845580	7160208
Total amount (Rs. in lakhs)	905.58	408.52
Rate per unit (Rs.)	7.64	5.70
(b) Own generation		
(i) Through diesel generators units (KWH)	—	86245
Units per ltr. of diesel oil (KWH)	—	1.63
Cost per unit (Rs.)	—	21.48
(ii) Through steam/turbine generators units	—	—
Units per ltr. of fuel/gas oil (KWH)	—	—
Cost per unit (Rs.)	—	—
(iii) Through co-gen power plants (off-gas burning) units (KWH)	73913774	57721576
Units per ltr. of fuel oil (KWH)	52.87	607.58
Cost per unit (Rs.)	0.61	0.12

	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)]	135178.50	94192.63
Total Cost (Rs. in lakhs)	17.59	13
Average rate (Rs.)	13.01	13.8
5. Consumption per unit of production :		
CARBON BLACK		
(i) Electricity (KWH/MT)	330	307
(ii) Furnace Oil (Ltr./MT)	—	—
(iii) Coal	—	—
(iv) Others – process steam (MT/MT)	0.52	0.44

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 :

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

4. Expenditure on R&D :

	(Rs. in Lakhs)	
	Current Year	Previous Year
(a) Capital	—	—
(b) Recurring	407.37	299.58
(c) Total	407.37	299.58
(d) Total R&D Expenditure as a percentage of total expenditure	0.35	0.23

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. 17,647.54 lakhs.

- (b) Total foreign exchange used and earned :

	(Rs. in Lakhs)	
	<u>Current Year</u>	<u>Previous Year</u>
Foreign Exchange used	83743.76	80053.50
Foreign Exchange earned	17647.54	25566.71

For and on behalf of the Board

Kolkata
28th April, 2010

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, 2010.

(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	6	2	NIL
Mr. O. P. Malhotra	Non-Executive & Independent	10	—	200
Mr. Ashok Goyal	Managing Director	1	—	2800

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

(b) Attendance Record of the Directors at the Board Meetings held on 28th April, 2009, 24th July, 2009, 28th October, 2009,

21st January, 2010 and 11th March 2010 and Annual General Meeting held on 24th July, 2009 are given below :

Name of the Director	Board Meetings		Attendance at the last Annual General Meeting
	Held during tenure	Attended	
Mr. Sanjiv Goenka	5	5	No
Mr. B. M. Khaitan	5	4	No
Mr. C. R. Paul	5	5	Yes
Dr. Ram S. Tarneja	5	4	Yes
Mr. K. S. B. Sanyal	5	5	Yes
Mr. Paras K. Chowdhary	5	0	No
Mr. O. P. Malhotra	5	5	Yes
Mr. Ashok Goyal	5	5	Yes

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	4
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	2**	1

*Inducted as a Member of the Audit Committee with effect from 28th October, 2009

**Number of meetings held during tenure.

3. Meetings

- 1 Audit Committee Meetings were held on 28th April, 2009, 24th July, 2009, 28th October, 2009 and 21st January, 2010. The Annual Accounts for the year ended 31st March, 2009

was reviewed by the Audit Committee at its meeting held on 28th April, 2009. The Audit Committee also reviewed the unaudited financial results for the quarters ended 31st March, 2009, 30th June, 2009, 30th September, 2009 and 31st December, 2009 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 The Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 24th July, 2009.

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	1	1
Mr. C. R. Paul	Member	1	1
Mr. O. P. Malhotra	Member	1	1

3. Meetings

During the year ended 31st March, 2010 the Remuneration Committee met once on 24th July, 2009.

4. Remuneration Policy

- a. Remuneration structure for the Managing Director comprises salary, perquisites as well as contribution to the Provident, Superannuation, Gratuity Fund, Performance Bonus and Management Supplement as per the Agreement entered between the Managing Director and the Company. The Agreement is placed before the Board for approval and subsequently the approval of the shareholders is obtained at the Annual General Meeting of the Company.
- b. The Non-Executive Directors get sitting fees for attending the Board and 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 ended 31st March, 2010 under Section 198(1)/349 of the Companies Act, 1956 payable subject to such limit and in such manner as the Board of Directors may determine.

5. Details of Sitting Fees/ Remuneration

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

The sitting fees for the Board and the Committee meetings paid to the Non-Executive Directors during the year ended 31st March, 2010 are as follows:

Name of the Director	Amount (Rs.)
Mr. Sanjiv Goenka	1,00,000/-
Mr. B. M. Khaitan	80,000/-
Mr. C. R. Paul	1,55,000/-
Dr. Ram S. Tarneja	90,000/-
Mr. K. S. B. Sanyal	1,55,000/-
Mr. Paras K. Chowdhary	-
Mr. O. P. Malhotra	1,45,000/-

In terms of the Special Resolution passed by the members of the Company, commission of Rs. 35,00,000/- for the year ended 31st March, 2010 is payable to the Non - Executive Directors in such manner as the Board of Directors may determine.

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, 2010	
		Description	Amount (Rs. in lakhs)
Mr. Ashok Goyal #	Managing Director	Salary and Allowances,	159.86
		Contribution to Provident, Gratuity and Superannuation Funds,	11.25
		Perquisites	1.43
		Total	172.54

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 : Nil

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, 2010 as per records of the Company	Number of complaints resolved during the year ended 31st March, 2010	Number of complaints pending as on 31st March, 2010
NIL	NIL	NIL**

** The Company has received confirmations from National Stock Exchange of India Limited, Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Ltd., that no investor complaints are pending against the Company as on 31st March, 2010.

3. Share Transfer

Mr. Ashok Goyal, Managing Director, Mr. Altaf Jiwani, 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, 2010, Shareholders / Investors Grievance Committee met twice on 24th July, 2009 and 21st January, 2010 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
48th	24th July, 2009	"Madhusudan Mancha"	10.30 A.M.	No
47th	30th July, 2008	"Madhusudan Mancha"	10.30 A.M.	Yes
46th	27th July, 2007	"Uttam Mancha"	10.30 A.M.	No

Special Resolutions under Section 81(1A) of the Companies Act, 1956 to make qualified institutional placement of securities upto Rs. 200 crores and preferential issue of warrants upto Rs. 25 crores were passed by way of Postal Ballot on 16th April, 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 :

1 No such transactions took place during the year ended 31st March, 2010.

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. Altaf Jiwani, Chief Financial Officer, in terms of Clause 49 (V) of the Listing Agreements with the Stock Exchanges for the financial year ended 31st March, 2010 was placed before the Board of Directors of the Company in its meeting held on 28th April, 2010.

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 : 23rd July, 2010 at 10.30 a. m. to be held at "Vidya Mandir", 1 Moira Street, Kolkata-700 017

1 Financial Year : 1st April, 2009 to 31st March, 2010

1 Book Closure: 13th July, 2010 to 23rd July, 2010 (both days inclusive)

1 Dividend Payment date : Dividend, if declared at the ensuing Annual General Meeting will be paid on and from 27th July, 2010.

1 Listing on Stock Exchanges and Stock Codes :

a) The Calcutta Stock Exchange - 26125
Association Ltd.
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. - PHILPCARB
Exchange Plaza,
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051.

Listing Fees for all the above Stock Exchanges for 2010 - 2011 have been paid.

1 Market Price high, low, close during each month from April, 2009 to March, 2010 (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. – 09	51.40	51.80	32.20	31.70	46.05	46.45
May – 09	95.35	94.85	47.15	47.25	78.15	78.00
Jun. – 09	85.00	85.05	59.00	59.20	60.10	60.40
Jul. – 09	103.50	103.60	56.50	56.50	103.50	103.60
Aug. – 09	155.45	155.20	102.25	100.00	141.20	141.70
Sep. – 09	187.00	186.10	134.50	137.00	179.80	179.90
Oct. – 09	188.80	188.85	159.75	159.25	160.50	160.80
Nov. – 09	179.90	178.00	138.00	140.00	161.10	161.00
Dec. – 09	167.00	167.25	134.00	133.70	159.65	158.95
Jan. – 10	193.70	193.90	152.10	158.05	184.15	183.65
Feb. – 10	200.00	200.00	165.00	174.50	184.55	183.10
Mar. – 10	215.70	215.60	180.00	176.00	197.05	194.40

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, 2009 to March, 2010.

Month	Nifty/Sensex (Close)		Share Price (Close) (Rs.)		No. of Shares Traded	
	NSE	BSE	NSE	BSE	NSE	BSE
Apr. – 09	3473.95	11403.25	46.05	46.45	1158220	1196001
May – 09	4448.95	14625.25	78.15	78.00	2456949	1838142
Jun. – 09	4291.10	14493.84	60.10	60.40	1003690	403439
Jul. – 09	4636.45	15670.31	103.50	103.60	443727	520705
Aug. – 09	4662.10	15666.64	141.20	141.70	857361	654896
Sep. – 09	5083.95	17126.84	179.80	179.90	962781	405285
Oct. – 09	4711.70	15896.28	160.50	160.80	595275	226634
Nov. – 09	5032.70	16926.22	161.10	161.00	194774	151963
Dec. – 09	5201.05	17464.81	159.65	158.95	388994	285537
Jan. – 10	4882.05	16357.96	184.15	183.65	2033434	1636056
Feb. – 10	4922.30	16429.55	184.55	183.10	1044828	800165
Mar. – 10	5249.10	17527.77	197.05	194.40	1651315	1190823

1 Registrars and Share Transfer Agent :

Link Intime India Pvt. Ltd.
59C, 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 alongwith 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, 2010

Shareholding Pattern – Size of Holdings	No. of Shares	Percentage (%) to Share Capital	No. of Shareholders	Percentage (%) to Total holders
1 – 500	2143633	7.59	23771	93.31
501 – 1000	777418	2.75	1038	4.07
1001 – 2000	542118	1.92	370	1.45
2001 – 3000	210920	0.75	84	0.33
3001 – 4000	141987	0.50	41	0.16
4001 – 5000	218701	0.77	46	0.18
5001 – 10000	385254	1.36	55	0.22
10001 & above	23833165	84.36	70	0.27
TOTAL	28253196	100.00	25475	100.00

1 Shareholding Pattern as on 31st March, 2010

No. of Holdings	No. of Shareholders	No. of Shares	Percentage of Holdings
Non Resident Indians	652	192201	0.680
Institutional Investors	52	4011952	14.20
Promoter* * Includes persons acting in concert	17	15222721	53.88
Bodies Corporate	606	4299550	15.22
Resident Individuals	24148	4526772	16.02
TOTAL	25475	28253196	100.00

1 Dematerialisation of shares :

	Shares	%
NSDL	23694250	83.86
CDSL	802436	2.84
TOTAL	24496686	86.70

1 ISIN NO. INE 602A01015

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

1 Plant Locations

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

1 Address for correspondence :

1) Registrar and Share Transfer Agent :
(For share and dividend related queries)

Link Intime India Pvt. Ltd.
59C, 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@pcbltd.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
28th April, 2010

Sanjiv Goenka
Chairman

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49(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, 2010, 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
28th April, 2010

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, 2010, 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

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.

Place : Kolkata
Date : 28th April, 2010

P. Law
Partner
Membership No. 51790
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

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 of Regulation 3 (1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:

Accurate Commodeal Private Limited
Adapt Investments Limited
Adorn Investments Limited
Alipore Towers Private limited
Allwyn Apartments Private limited
Amber Apartments Private Limited
Atlantic Holdings Limited
B N Elias & Company Private Limited
Best Apartments Private Limited
Blue Niles Holdings Limited
Brabourne Investments Limited
Carnival Investments Limited
CEAT Limited
CESC Limited
Chhatrapati Investments Limited
Dakshin Bharat Petrochem Limited
Eastern Aviation & Industries Private Limited
FGP Limited
Goodhope Sales Private Limited
Goodluck Dealcom Private Limited
Harrisons Malayalam Financial Services Limited
Harrisons Malayalam Limited
Highway Apartments Limited
Idea Tracom Private Limited
Indent Investments Limited
Instant Holdings Limited

Integrated Coal Mining Limited
KEC International Limited
Kestrel Investments Limited
Kutub Properties Private Limited
Malabar Coastal Holdings Limited
Off Shore India Limited
Organised Investments Limited
Pedriano Investments Limited
Peregrine Investments Limited
Petrochem International Limited
Puffin Investments Limited
Rainbow Investments Limited
RPG Cellular Investments & Holdings Private Limited
RPG Enterprises Limited
RPG Farms Limited
RPG Industries Private Limited
RPG Infrastructure Investments Limited
RPG Landscapes Limited
RPG Life Sciences Limited
RPG Resorts Limited
Sarala Pharmaceuticals Limited
Saregama India Limited
Shaft Investments Private Limited
South Asia Electricity Holdings Limited

Spencer & Co Limited
Spencer International Hotels Limited
Spencer Travel Services Limited
Spencer's Retail Limited
Sri Krishna Chaitanya Trading Co Private Limited
Sri Parvathi Suthan Trading Co Private Limited
Stylefile Events Limited
Summit Securities Limited
Swallow Investments Limited
Tirumala Dealtrade Private Limited
Trade Apartments Limited
Ujala Agency Private Limited
Universal Industrial Fund Limited
Zensar Technologies Limited
Rama Prasad Goenka & Sons (HUF)
Harsh Anant Goenka (HUF)
Sanjiv Goenka & Others (HUF)
Sri. Rama Prasad Goenka
Smt. Sushila Goenka
Sri. Harsh Vardhan Goenka
Smt. Mala Goenka
Sri. Sanjiv Goenka
Smt. Preeti Goenka
Sri. Anant Vardhan Goenka
Smt. Radha Goenka
Sri. Shashwat Goenka

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 2010, 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.
 - (b) The fixed assets have been 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.
 - (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.
 - (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.
 - (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 the 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.
 - (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 According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- 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.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, wealth tax, service tax, and cess as at 31st March, 2010 which have not been deposited on account of any dispute other than certain sales tax, excise duty and customs duty dues which are given below :

Name of the Statute	Nature of Dues	Amount (Rs. in lakhs)	Forum where dispute is pending
Central Sales Tax Act, 1956	Central Sales Tax	272.80	Joint Commissioner Appeals
	Central Sales Tax	789.74 #	Appellate and Revision Board
West Bengal Sales Tax Act	Sales Tax	69.57	Joint Commissioner Appeals
	Sales Tax	129.28##	Appellate and Revision Board
Central Excise Act 1944	Excise Duty	116.35	Commissioner Appeals
	Excise Duty	2318.74*	Customs Excise and Service Tax Appellate Tribunal
	Excise Duty	1.37**	High Court Kerala
Customs Act 1962	Customs Duty	15.28	Commissioner (Appeals)
	Customs Duty	25.89	Customs Excise and Service Tax Appellate

#Stay orders in respect of the disputed dues to the extent of Rs. 611.49 lakhs have been obtained by the Company.

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

*Stay orders in respect of the disputed dues to the extent of Rs. 177.17 lakhs have been obtained by the Company.

**Stay Order in respect of the disputed due have been obtained by the Company

3.10 The Company has no accumulated losses as at 31st March, 2010 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 explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has not issued any debentures.

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, 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, 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, 2010 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 subject to Note 2.2 on Schedule 19 to the Accounts regarding reappointment and remuneration of the Managing Director to the extent of Rs. 82.57 lakhs in respect of which shareholders' approval will be sought for in the ensuing Annual General Meeting, 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 2010;
 - (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.

Kolkata
28th April, 2010

For PRICE WATERHOUSE
Firm Registration Number 30112E
Chartered Accountants.

P. LAW
Partner
(Membership no. 51790)

Phillips Carbon Black Limited

Balance Sheet as at 31st March, 2010

		As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs
	Schedule		
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	2,825.26	2,825.26
Reserves and Surplus	2	29,615.47	18,993.28
		<u>32,440.73</u>	<u>21,818.54</u>
LOAN FUNDS	3		
Secured Loans		49,592.09	41,259.87
Unsecured Loans		5,953.90	1,295.83
		<u>55,545.99</u>	<u>42,555.70</u>
Deferred Tax Liability (Net) [Note 12 on Schedule 19]		960.00	171.10
		<u>88,946.72</u>	<u>64,545.34</u>
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		82,791.41	44,048.56
Less : Depreciation		23,475.38	21,250.69
Net Block		59,316.03	22,797.87
Capital Work in Progress (Note 11.4 on Schedule 19)		9,230.74	38,276.64
		<u>68,546.77</u>	<u>61,074.51</u>
INVESTMENTS	5	3,777.96	3,776.10
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	19,662.01	12,096.97
Sundry Debtors	7	29,496.69	18,075.62
Cash and Bank Balances	8	3,302.59	713.47
Other Current Assets	9	1,659.57	2,271.01
Loans and Advances	10	13,283.72	6,165.48
		<u>67,404.58</u>	<u>39,322.55</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	48,764.09	39,469.29
Provisions	12	2,018.50	230.90
		<u>50,782.59</u>	<u>39,700.19</u>
NET CURRENT ASSETS		<u>16,621.99</u>	<u>(377.64)</u>
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)			
Payments under Voluntary Retirement Schemes		—	72.37
		<u>88,946.72</u>	<u>64,545.34</u>
NOTES ON ACCOUNTS	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 and on behalf of
PRICE WATERHOUSE
Firm Registration Number 301112E
Chartered Accountants

P. Law
Partner
(Membership no. 51790)

Kolkata,
28th April, 2010

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, 2010

	<u>Schedule</u>	<u>Year ended</u> <u>31st March, 2010</u>	<u>Year ended</u> <u>31st March, 2009</u>
		<u>Rupees in Lakhs</u>	<u>Rupees in Lakhs</u>
INCOME			
Sales - Carbon Black		128,985.57	118,482.23
Less : Excise Duty		<u>11,180.51</u>	<u>12,431.13</u>
		117,805.06	106,051.10
Sales - Power		5,452.34	1,550.79
Other Income	13	281.14	1,444.17
Closing Stock of Finished Goods		<u>4,621.89</u>	<u>3,115.89</u>
		128,160.43	112,161.95
EXPENDITURE			
Opening Stock of Finished Goods		3,115.89	2,114.92
Raw Materials Consumed	14	88,429.00	93,999.47
Expenses	15	18,339.17	15,144.55
Depreciation		3,114.57	1,963.67
Finance and Other Expenses	16	<u>2,103.41</u>	<u>8,669.39</u>
		115,102.04	121,892.00
PROFIT/(LOSS) BEFORE TAXATION		13,058.39	(9,730.05)
Provision for Taxation	17	<u>788.90</u>	<u>(3,245.91)</u>
PROFIT / (LOSS) AFTER TAXATION		12,269.49	(6,484.14)
Balance brought forward from previous year		<u>3,949.39</u>	<u>10,433.53</u>
Profit available for Appropriation		16,218.88	3,949.39
Proposed Dividend			
- General Dividend		1,130.13	-
- Golden Jubilee Year Dividend		<u>282.53</u>	<u>-</u>
Tax on Proposed Dividend		234.64	-
		14,571.58	3,949.39
Transferred to General Reserve		<u>1,230.00</u>	<u>-</u>
Balance Carried to Balance Sheet (Schedule 2)		<u>13,341.58</u>	<u>3,949.39</u>
Earnings per Share (Rs.)	18		
- Basic		43.43	(24.12)
- Diluted		43.43	(24.12)

NOTES ON ACCOUNTS 19

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

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

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

P. Law
Partner
(Membership no. 51790)

Kolkata,
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

Schedules forming part of the Balance Sheet

		As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs
SCHEDULE 1 – CAPITAL			
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			
20,213,779	Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	<u>2,021.38</u>	<u>2,021.38</u>
	Less : Allotment Money receivable	<u>0.07</u>	<u>0.07</u>
		<u>2,021.31</u>	<u>2,021.31</u>
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>	<u>369.28</u>
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>
		<u><u>2,825.26</u></u>	<u><u>2,825.26</u></u>

Notes : 1) 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, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs
SCHEDULE 2 – RESERVES AND SURPLUS			
Reserves			
Securities Premium Account			
Balance as per last Account	<u>10,814.87</u>	6,644.83	
Add : Received during the year	<u>—</u>	<u>4,170.04</u>	
		<u>10,814.87</u>	10,814.87
Capital Reserve		<u>156.81</u>	156.81
General Reserve			
Balance as per last Account	<u>4,072.21</u>	4,072.21	
Add : Transferred during the year	<u>1,230.00</u>	<u>—</u>	
		<u>5,302.21</u>	4,072.21
Surplus			
Profit and Loss Account		<u>13,341.58</u>	3,949.39
		<u><u>29,615.47</u></u>	<u><u>18,993.28</u></u>

Schedules forming part of the Balance Sheet (Contd.)

SCHEDULE 3 – LOAN FUNDS

	As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs
SECURED LOANS		
From Banks		
– Cash Credit/Export Packing Credit facilities/Loans (Note 1 below) [Includes Rs. 44.19 lakhs (31.03.2009 - Rs. 0.23 lakh) on account of interest accrued and due]	13,285.42	3,551.28
– Term Loans (Note 2 below) [Includes Rs. 20.43 lakhs (31.03.2009 - Rs. 33.57 lakhs) on account of interest accrued and due]	33,747.87	37,623.68
– Commercial Papers (Note 1 below)	2,500	–
– Vehicle Loans (Note 3 below)	58.80	84.91
	49,592.09	41,259.87
UNSECURED LOANS		
Loan from Bank - Short term	5,000.00	–
Dealers Security Deposits	43.00	46.00
Sales Tax Deferred Loans (Note 4 below)	910.90	1,249.83
	5,953.90	1,295.83
Total Loan Funds	55,545.99	42,555.70

Notes:

- 1 Cash Credit/ Packing Credit facilities/ Loans/ Commercial Papers - under consortium arrangements are with certain banks. The above Cash Credit/Bank Overdraft facilities/Loans 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 Kochi.
- 2 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 or 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.

- 3 Vehicle loans are secured by way of hypothecation of vehicles financed by such loans.
- 4 Sales Tax Deferred Loans/ Output Tax Deferred Loans allowed by the State Governments of West Bengal and Kerala are repayable in stipulated periodic installments commencing from August 2006 (West Bengal) and July 2007 (Kerala) respectively, aggregate amount of such installments repayable within one year is Rs. 301.80 lakhs (Previous Year - Rs. 338.94 lakhs).

Schedules forming part of the Balance Sheet (Contd.)

SCHEDULE 4 – FIXED ASSETS

(Rupees in Lakhs)										
DESCRIPTION	Original/ Revalued cost of Assets as at 31st March, 2009	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, 2010	Depreciation as at 31st March, 2009	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at 31st March, 2010	Balance as at 31st March, 2010	Balance as at 31st March, 2009
Tangible Assets										
Freehold Land	653.49	1,505.88	—	2,159.37	—	—	—	—	2,159.37	653.49
Leasehold Land Acquisition and Development Expenses	799.34	—	—	799.34	—	—	—	—	799.34	799.34
Buildings (a)	3,123.96	3,182.02	—	6,305.98	950.58	152.81	—	1,103.39	5,202.59	2,173.38
Non-Factory Buildings and Flats	1,627.73	728.90	—	2,356.63(b)	313.97	40.30	—	354.27	2,002.36	1,313.76
Plant and Machinery	33,994.46	33,236.54	898.32	66,332.68	17,807.89	2,707.02	753.33	19,761.58	46,571.10	16,186.57
Electrical Installations	2,217.94	1,139.80	194.81	3,162.93	1,232.86	119.17	93.19	1,258.84	1,904.09	985.08
Motor Vehicles	516.35	1.32	59.48	458.19	131.86	44.79	37.74	138.91	319.28	384.49
Furniture, Fixtures and Office Equipment	818.65	113.80	12.80	919.65	517.50	50.48	5.62	562.36	357.29	301.15
Railway Sidings	89.62	—	—	89.62	89.01	—	—	89.01	0.61	0.61
Intangible Assets										
Computer Software - Acquired	207.02	—	—	207.02	207.02	—	—	207.02	—	—
	<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>	<u>22,797.87</u>
Previous Year	<u>45,065.68</u>	<u>758.36</u>	<u>1,775.48</u>	<u>44,048.56</u>	<u>20,575.23</u>	<u>1,963.67</u>	<u>1,288.21</u>	<u>21,250.69</u>	<u>22,797.87</u>	

Notes : (a) Cost and accumulated depreciation include Rs. 3,906.49 lakhs (31.03.2009 - Rs. 2,916.88 lakhs) and Rs. 988.76 lakhs (31.03.2009 - Rs. 870.16 lakhs) respectively in respect of Buildings on leasehold land.

(b) Includes Rs. 84.00 lakhs (31.03.2009 - Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs. 9.84 lakhs (31.03.2009 - Rs. 9.84 lakhs) being one-sixth share of jointly owned property.

Schedules forming part of the Balance Sheet (Contd.)

		As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs		
SCHEDULE 5 – INVESTMENTS					
[Note 1(vi) on Schedule 19] (At Cost)					
Long-Term					
TRADE –					
Quoted					
4,155,743	Fully paid Equity Shares of Rs 10/- each in CEAT Ltd.	2,614.91	2,614.91		
OTHER THAN TRADE –					
Quoted					
344,130	Fully paid Equity Shares of Rs. 10/- each in CESC Ltd.	1,115.74	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		
		1,386.02	1,386.02		
Unquoted					
	50 Fully paid Preference Shares of Rs. 100/- each in Norplex Oak India Ltd.	0.05	0.05		
	50 Fully paid Preference Shares of Rs.100/- each in Maple Circuits Ltd.	0.05	0.05		
		0.10	0.10		
Fully paid Equity/Ordinary Shares in Subsidiary Company					
Unquoted					
	5,100 Fully paid Equity Shares of Euro 1 each in Phillips Carbon Black Cyprus Holdings Limited	28.04	26.18		
		4,029.07	4,027.21		
Less : Provision for diminution in carrying amount of Investments		251.11	251.11		
		3,777.96	3,776.10		
Notes : (1) Aggregate amount of quoted investments :					
	Market value (excluding Norplex Oak India Ltd. and Maple Circuits Ltd. in absence of any current quotation) Rs. 7,572.74 lakhs (31.03.2009 - Rs. 2,189.35 lakhs)	4,000.93	4,000.93		
(2) Aggregate amount of Unquoted Investments					
		28.14	26.28		
		4,029.07	4,027.21		
(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	9,812	100	662,772	6,757
	UTI Liquid Cash Plus Institutional - Growth Option	85,864	1,250	391,241	5,340
	Reliance Floating Rate Fund - Growth Plan - Growth Option	–	–	10,037,057	1,302
	Reliance Monthly Interval Fund - Series II - Institutional Growth Plan	–	–	1,794,110	200
	Reliance Liquidity Fund - Daily Dividend Reinvestment Option	–	–	1,000,082	100
	Reliance Liquidity Fund - Growth Option	–	–	8,046,738	1,050
	DSP Merrill Lynch Cash Plus - Institutional - Growth	–	–	166,609	1,800
	UTI Fixed Income Interval Fund-Monthly Interval Plan Series - I – Institutional Growth Plan	–	–	9,440,999	1,000
	Fixed Income Interval Fund-Monthly Interval Plan Series - II - Growth Plan	–	–	19,000,000	1,900
	UTI Liquid Plus Fund Daily Dividend Plan - Re-investment	–	–	1,770	18
	UTI Liquid Plus Fund Institutional Plan (Growth Plan)	–	–	45,504,840	14,708
	UTI Money Market Fund - Growth Plan	–	–	82,112,609	19,800
SCHEDULE 6 – INVENTORIES					
[Note 1(vii) on Schedule 19]					
		As at 31st March, 2010 Rupees in Lakhs		As at 31st March, 2009 Rupees in Lakhs	
	Stores and Spares	1,661.61		2,342.91	
	Raw Materials	13,378.51		6,638.17	
	Finished Goods	4,621.89		3,115.89	
		19,662.01		12,096.97	

Schedules forming part of the Balance Sheet (Contd.)

	As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs
SCHEDULE 7 – SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
Considered Good	600.88	1,314.94
Considered Doubtful	210.45	1,213.71
Less : Provision	210.45	1,213.71
	600.88	1,314.94
Other Debts – Considered good	28,895.81	16,760.68
	29,496.69	18,075.62
SCHEDULE 8 – CASH AND BANK BALANCES		
Cash in Hand	1.54	8.99
Remittances in Transit	1,662.75	581.75
With Scheduled Banks :		
— On Current Accounts	1,589.46	69.64
— On Unpaid and Unclaimed Dividend Accounts	39.84	44.09
— On Margin Money Account against Guarantee	9.00	9.00
	3,302.59	713.47
SCHEDULE 9 – OTHER CURRENT ASSETS		
Unsecured Considered Good		
Deposits	1,043.02	992.09
[including Rs. 0.80 lakh (31.03.2009 – 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	471.08	1,278.92
	1,659.57	2,271.01
SCHEDULE 10 – LOANS AND ADVANCES		
Unsecured - Considered good		
Advances and Loans to Subsidiary	684.19	—
Advances recoverable in cash or in kind or for value to be received (Note 10 on Schedule 19)	2,273.00	2,148.13
Balances with Customs, Port Trust and Excise Authorities etc.	6,368.90	2,510.73
Advance payment of Taxes, etc. [net of provision for taxation Rs. 9,246.45 lakhs, (31.03.2009 - Rs. 6,996.45 lakhs)]	1,707.63	1,506.62
MAT Credit Entitlement	2,250.00	—
	13,283.72	6,165.48
SCHEDULE 11 – LIABILITIES		
Sundry Creditors		
– Dues to Micro Enterprises and Small Enterprises (Note 1 below)	27.75	32.89
– Others	48,460.05	38,578.37
	48,487.80	38,611.26
Investor Education and Protection Fund shall be credited by the following amounts (Note 2 below) :		
- Unpaid dividend	39.84	44.09
- Unpaid matured deposits	5.05	6.50
Other Liabilities	111.24	324.29
Interest Accrued but not due on borrowings	120.16	483.15
	48,764.09	39,469.29
Notes : 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, 2010.		
2. No amount was due for deposit as on the Balance Sheet date.		
SCHEDULE 12 – PROVISIONS		
Proposed Dividend		
- General Dividend	1,130.13	—
- Golden Jubilee Year Dividend	282.53	—
Tax on Proposed Dividend	234.64	—
Provisions for Retirement Benefit	371.20	230.90
	2,018.50	230.90

Schedules forming part of the Profit & Loss Account

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
SCHEDULE 13 – OTHER INCOME		
Dividend from Long Term Investments		
– Trade Investments	–	169.71
– Others	14.92	7.29
	14.92	177.00
Profit on Sale of current Investments	0.66	1,113.31
Miscellaneous income	265.56	153.86
	281.14	1,444.17
SCHEDULE 14 – RAW MATERIALS CONSUMED		
Opening Stock	6,638.17	12,091.80
Add : Purchases (Notes 3.1 and 3.2 on Schedule 19)	95,169.34	88,545.84
	101,807.51	100,637.64
Less : Closing Stock	13,378.51	6,638.17
	88,429.00	93,999.47
SCHEDULE 15 – EXPENSES		
Salaries, Wages and Bonus	3,020.39	2,753.32
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	247.75	289.73
Labour and Staff Welfare	397.52	410.65
Consumption of Stores and Spares	3,919.42	3,107.47
Power and Fuel	1,263.34	521.48
Water Charges	103.58	64.56
Rent	116.96	73.61
Rates and Taxes	115.35	89.47
Repairs and Maintenance :		
– Buildings	141.96	164.95
– Plant and Machinery	570.61	355.39
– Others	221.68	201.99
	934.25	722.33
Insurance	40.80	91.02
Travelling and Transport Expenses	532.25	472.00
Subscriptions and Donations	124.08	47.42
Miscellaneous Expenses	3,288.84	2,710.67
Freight Outward	2,456.66	2,301.59
Commission	1,052.98	719.37
Directors' Fees	7.25	5.55
Research and Development Expenses (Note 3.2 on Schedule 19)	407.37	299.58
Loss on Disposal of Fixed Assets (net)	92.10	379.68
Provision for diminution in carrying amount of Investments	–	0.10
Bad Debts written off (Net of Provision)	7.83	48.64
Provision for Doubtful Debts	210.45	36.31
	18,339.17	15,144.55
SCHEDULE 16 – FINANCE AND OTHER EXPENSES		
Interest (Note 22 on Schedule 19)		
- On Fixed Loans	2035.23	2,517.14
- On Others	859.02	230.70
	2,894.25	2,747.84
Bank Charges & Discounting Charges	1,355.70	1,263.54
(Gain)/Loss on Foreign Exchange Fluctuations (net)	(2,146.54)	4,658.01
(Including premium of Rs. 298.71 Lacs (Previous year Rs. Nil) on Option Contract)		
	2,103.41	8,669.39

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

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
SCHEDULE 17 – PROVISION FOR TAXATION		
Current Tax	2,250.00	–
Less : MAT Credit Entitlement	2,250.00	–
Deferred Tax Charge /(release)	788.90	(3,359.14)
Fringe Benefit Tax	–	113.23
	788.90	(3,245.91)

SCHEDULE 18 – EARNINGS PER SHARE

Adjusted Number of Equity Shares at the beginning of the period	28,253,130 ⁽²⁾	25,253,080 ⁽³⁾
Adjusted Number of Equity Shares at the end of the period	28,253,130 ⁽¹⁾	28,253,130 ⁽²⁾
Weighted average number of Equity Shares outstanding during the period (Basic EPS)	28,253,130 ⁽⁴⁾	26,880,510 ⁽⁶⁾
Weighted average number of Equity Shares outstanding during the period (Diluted EPS)	28,253,130 ⁽⁵⁾	26,880,510 ⁽⁷⁾
Nominal Value of each Equity Share (Rs.)	10	10
Profit after Taxation available for Equity Shareholders (Rupees in Lakhs)	12,269.49	(6,484.14)
Basic Earnings per Share (Rs.)	43.43	(24.12)
Diluted Earnings per Share (Rs.)	43.43	(24.12)

Adjusted Number of Equity Shares	(1)	(2)	(3)
	As at 31st March, 2010	As at 31st March, 2009	As at 1st April, 2008
		Total	Total
Number of Shares issued	28,253,196	25,206,182 3,047,014 28,253,196	25,206,182 47,014 25,253,196
Nominal Value (Rs.)	282,531,960	252,061,820 30,470,140 282,531,960	252,061,820 470,140 252,531,960
Paid up Value (Rs.)	282,531,300	252,061,820 30,469,480 282,531,300	252,061,820 468,980 252,530,800
Adjusted Number of shares	28,253,130	25,206,182 3,046,948 28,253,130	25,206,182 46,898 25,253,080

Weighted average number of shares for Basic EPS

(4)			
Year ended 31st March, 2010			
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
01-Apr-09	28,253,130	365	28,253,130
Weighted average number			28,253,130

Weighted average number of shares for Diluted EPS

(5)			
Year ended 31st March, 2010			
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
01-Apr-09	28,253,130	365	28,253,130
Weighted average number			28,253,130

(6)			
Year ended 31st March, 2009			
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
01-Apr-08	25,253,080	128	8,855,875
7-Aug-08	25,253,130	39	2,698,280
15-Sep-08	25,253,130	198	15,326,355
Weighted average number			26,880,510

(7)			
Year ended 31st March, 2009			
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
01-Apr-08	25,253,080	128	8,855,875
7-Aug-08	25,253,130	39	2,698,280
15-Sep-08	25,253,130	198	15,326,355
Weighted average number			26,880,510

SCHEDULE 19 – NOTES ON ACCOUNTS

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. Investment

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 the basis of dispatch / shipment of goods to customers 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

Payments under Voluntary Retirement Schemes are amortized over the period being lower of:

- (i) The remaining period of service of the related employees,
- (ii) five years (for payments made up to 31st March, 2006),
- (iii) Year ending 31st March, 2010 (in case of payments made from 1st April, 2006).

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 :

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
Managing Director		
Salary	159.86	152.55
Contribution to Pension, Provident and Gratuity Funds	11.25	9.97
Perquisites	1.43	4.15
	172.54	166.67
Non Executive Directors' Fees	7.25	5.55
Commission to Non Executive Directors	35.00	--
	214.79	172.22

2.2 Shareholders approval will be obtained in the ensuing Annual General Meeting for re-appointment of Managing Director with effect from 23rd October 2009 and remuneration amounting to Rs. 82.57 lakhs paid to him from that date.

2.3 Computation of Directors' Commission :

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
Profit after book depreciation but before taxation	13,058.39	(Refer Note 2.4 below)
Add :		
Directors' Remuneration	214.79	
Compensation under Voluntary Retirement Scheme	78.62	
	13,351.80	
Less :		
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	3,793.80	
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	37.94	
Commission to Non Executive Directors restricted to :	35.00	

2.4 Computation of Net Profit under Section 198 (1)/ 349 of the Companies Act, 1956 had not been provided in the previous year as no commission was payable in view of inadequacy of profit.

3.1 Raw Material Purchase is net of Rs. 1,407.28 lakhs (Previous year - Rs. 1,747.62 lakhs) being benefits under various duty exemption schemes pertaining to exports / deemed exports.

3.2 Research and Development Expenses mainly includes Raw Materials Consumed Rs.355.25 lakhs (Previous year - Rs. 245.40 lakhs), Salaries, Wages and Bonus Rs. 46.91 lakhs (Previous year - Rs.50.33 lakhs), Contribution to Provident Fund, Superannuation Fund and Gratuity Fund Rs.2.71 lakhs (Previous year - Rs. 1.36 lakhs), Labour and Staff Welfare Rs.1.78 lakhs (Previous year - Rs. 2.03 lakhs) and Miscellaneous Expenses Rs. 0.72 lakhs (Previous year - Rs. 0.46 lakhs).

3.3 Auditor's Remuneration

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
Auditors' Remuneration :		
Audit Fees	20.00	16.00
Tax Audit	4.00	4.00
Others (Certifications)	4.50	5.85
Reimbursement of Expenses (including Service Tax to the extent routed through Profit and Loss Account)	0.20	1.35

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

Raw Materials	Year ended 31st March, 2010 %	Rs. in Lakhs	Year ended 31st March, 2009 %	Rs. in Lakhs
Imported	91.95	81,312.07	92.54	86,989.11
Indigenous	8.05	7,116.93	7.46	7,010.36
Total	100.00	88,429.00	100.00	93,999.47
Stores and Spares	Year ended 31st March, 2010 %	Rs. in Lakhs	Year ended 31st March, 2009 %	Rs. in Lakhs
Imported	6.13	240.44	7.53	233.88
Indigenous	93.87	3,678.98	92.47	2,873.59
Total	100.00	3,919.42	100.00	3,107.47

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

Particulars	Year ended 31st March, 2010				Year ended 31st March, 2009			
	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		270,000		12	
(iii) Opening and closing stock of finished goods, production/generation and sales :								
Carbon Black :								
Opening Stock	6,657	3,115.89			5,060	2,114.92		
Actual Production@*	258,374				212,150			
Closing Stock	10,445	4,621.89			6,657	3,115.89		
Sales (including sweepings)#	255,777	128,985.57			210,553	118,482.23		
Power :								
Generation (Million KWH)			240.48				86.54	
			(including Captive Consumption etc. of 81.68)				(including Captive Consumption etc. of 27.38)	
Sales (Million KWH)			158.80	5,452.34			59.16	1,550.79

@including production for
Research and Development runs and reprocessing 1,280 MT

*Excluding Trial run production of 2,499 MT

Excluding Trial run production of 1,308 MT

668 MT

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Quantity	Rupees	Quantity	Rupees
	MT	in Lakhs	MT	in Lakhs
6. Raw Materials consumed for manufacturing Carbon Black :				
(i) Carbon Black Feed Stock	465,599	86,487.88	3,668,803	90,341.54
(ii) Tar Oil	9,396	1,796.50	14,467	3,676.38
(iii) Others	-	499.87	-	226.95
	474,995	88,784.25	3,683,270	94,244.87
Less : Consumption through Research and Development runs :				
- Carbon Black Feed Stock	1,985	322.86	1,364	242.15
- Tar Oil	175	32.39	18	3.24
	472,835	88,429.00	3,681,888	93,999.47

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rupees	in Lakhs	Rupees	in Lakhs
7. Earnings in Foreign Exchange Account of				
Export Sales (F.O.B. Value)	17,647.54		25,566.71	
	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rupees	in Lakhs	Rupees	in Lakhs
8. CIF Value of Imports :				
(a) Raw Materials	82,750.77		76,493.87	
(b) Stores and Spares	78.51		504.08	
(c) Capital Equipment	204.76		703.84	
	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Rupees	in Lakhs	Rupees	in Lakhs

	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	171.35		109.28	
(b) Interest	272.94		1,590.68	
(c) Others	265.43		651.75	

10. Advances recoverable in cash or in kind or for value to be received of Rs. 2,273.00 lakhs (Previous Year - Rs. 2,148.13 lakhs) includes Rs.0.77 lakh (Previous Year - Rs. 0.93 lakh) due by an Officer of the Company, maximum amount due at any time during the year - Rs.0.93 lakh (Previous Year - Rs.1.09 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.

11.3 Depreciation for the year ended 31st March, 2010 on items of fixed assets revalued include an additional charge of Rs. 255.84 lakhs (Previous Year - Rs. 278.33 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 Expenditure in Progress includes Capital Advances unsecured, considered good - Rs.2,604.94 lakhs (31st March, 2009 - Rs. 11,105.45 lakhs)

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

	As at 31st March, 2010		As at 31st March, 2009	
	Rupees	in Lakhs	Rupees	in Lakhs
Deferred Tax Liability on account of –				
- Depreciation	6,381.24		3,717.72	
- Others	-		13.38	
	6,381.24		3,731.10	
Deferred Tax Asset on account of –				
- Unabsorbed Tax loss/Depreciation*	5,266.57		3,020.00	
- Items allowable for tax purpose on payment/adjustments	66.01		54.55	
- Others	88.66		485.45	
	5,421.24		3,560.00	
	960.00		171.10	

*Absorption expected based on future taxable income

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.

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

	As at 31st March, 2010 Rupees in Lakhs	As at 31st March, 2009 Rupees in Lakhs	
14. Contingent Liabilities for :			on behalf of bodies corporate and others (other than guarantees which according to legal opinion are no longer enforceable against the Company)
(14.1) Claims against the Company not acknowledged as debts : Income-tax matters pending (other than matters set aside for reassessment)	119.95	0.87	– Limit 9.00 9.00 – Outstanding 9.00 9.00
(14.2) Outstanding Bank Guarantees etc.	716.56	377.20	15 Premium on foreign exchange arising from forward exchange contract to be recognised in the accounts of future periods Rs. 29.00 lakhs (Previous year - Rs. 248.30 lakhs).
(14.3) Bills discounted	–	1,923.90	16. Capital Commitments [net of advances Rs. 2,604.94 lakhs, (31st March, 2009- Rs. 11,105.45 lakhs)] not provided for as at 31st March, 2010 are estimated at Rs. 4,498.24 lakhs (31st March, 2009 - Rs. 10,806.34 lakhs.)
(14.4) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :			

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 2010	As at 31st March 2009	As at 31st March 2008	As at 31st March 2010	As at 31st March 2009	As at 31st March 2008	As at 31st March 2010	As at 31st March 2009	As at 31st March 2008
Opening balance	621.65	581.24	550.00	160.49	92.92	135.10	70.42	53.03	44.91
Current Service Cost	46.73	36.20	34.41	87.43	63.08	16.29	–	0.63	0.45
Interest cost	47.78	41.65	44.96	11.76	6.10	11.48	5.63	3.98	3.78
Actuarial loss/(gain)	87.69	14.51	(6.11)	33.47	21.66	(42.76)	29.06	12.78	4.65
(Benefits paid)	(48.83)	(51.95)	(42.02)	(27.05)	(23.27)	(27.19)	–	–	(0.76)
Closing balance	755.02	621.65	581.24	266.10	160.49	92.92	105.11	70.42	53.03

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

Rupees in Lakhs

	Gratuity		
	As at 31st March, 2010	As at 31st March, 2009	As at 31st March, 2008
Opening balance	674.20 @	515.98	455.98
Expected return on Plan Asset	53.94	41.28	36.48
Actuarial (loss)/gain	1.46	(41.28)	(32.57)
Company's contribution	92.82	105.23	98.11
Benefits paid	(48.83)	(51.95)	(42.02)
Closing balance	773.59	569.26	515.98

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

@ Includes accretion to plan assets of Rs. 104.94 Lakhs relating to earlier years communicated by LIC during the year which has been adjusted against gratuity expense recognised in the accounts.

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

17.3 Amount recognised in Balance Sheet :

Rupees in Lakhs

	Funded			Unfunded					
	Gratuity			Leave Encashment			Medical		
	As at 31st March 2010	As at 31st March 2009	As at 31st March 2008	As at 31st March 2010	As at 31st March 2009	As at 31st March 2008	As at 31st March 2010	As at 31st March 2009	As at 31st March 2008
Present value of obligation	755.02	621.65	581.24	266.10	160.49	92.92	105.11	70.42	53.03
Fair Value of Plan Asset	773.59	569.26	515.98	–	–	–	–	–	–
Net Asset/(Liability)	18.57	(52.39)	(65.26)	(266.10)	(160.49)	(92.92)	(105.11)	(70.42)	(53.03)

17.4 Amount recognised in Profit and Loss Account -

Rupees in Lakhs

	Gratuity		Leave Encashment		Medical	
	Year Ended 31st March, 2010	Year Ended 31st March, 2009	Year Ended 31st March, 2010	Year Ended 31st March, 2009	Year Ended 31st March, 2010	Year Ended 31st March, 2009
Current service cost	46.73	36.20	87.43	63.08	–	0.63
Interest cost	47.78	41.65	11.76	6.10	5.63	3.98
Expected Return on Plan Asset	(53.94)	(41.28)	–	–	–	–
Actuarial loss/(gain)	86.23	55.79	33.47	21.66	29.06	12.78
Recognised in Profit and Loss Account	126.80	92.36	132.66	90.84	34.69	17.39
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, 2010	Year Ended 31st March, 2009
Mortality Table	LICI 1994-1996	LICI 1994-1996
Discount rate	8.00%	7.50%
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, 2010		Year Ended 31st March, 2009	
	Increase	Decrease	Increase	Decrease
	Rupees in Lakhs		Rupees in Lakhs	
Aggregate of current service cost and interest cost	5.58	5.58	2.50	2.50
Accumulated Post Employment benefit obligation for medical cost	0.89	0.89	0.33	0.33

17.7 As regards contribution to the provident fund maintained with separate Trust, the Company's Actuary has certified that the Trust fund is adequate for distribution of interest at the rate currently prescribed by the Government and based on actuarial valuation carried out in terms of revised AS 15 no additional contribution to the fund is required from the Company towards any inadequacy.

17.8 For the Defined Contribution Plans amounts aggregating Rs.223.92 lakhs (Previous Year - Rs. 196.24 Lakhs) have been recognised 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.

SCHEDULE 19 – NOTES ON ACCOUNTS (Contd.)

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 31.03.2010			Year ended 31.03.2009		
		Carbon Black	Power	Total	Carbon Black	Power	Total
(i)	Segment Revenue						
	External Sales	117,805.06	5,452.34	123,257.40	118,482.23	1,550.79	120,033.02
	Inter-segment Sales	—	1,761.00	1,761.00	—	788.02	788.02
		117,805.06	7,213.34	125,018.40	118,482.23	2,338.81	120,821.04
(ii)	Segment Results						
	Profit before interest and tax	14,212.64	5,148.00	19,360.64	(5,328.71)	2,020.59	(3,308.12)
	Unallocated (expenses)/income (net)			(3,408.00)			(3,485.80)
	Interest			(2,894.25)			(2,936.13)
	Profit before tax			13,058.39			(9,730.05)
(iii)	Segment Assets						
	Unallocated	102,820.24	24,890.34	127,710.58	56,353.54	3,382.21	59,735.75
				12,018.73			44,509.78
				139,729.31			104,245.53
(iv)	Segment Liabilities						
	Unallocated	48,599.04	—	48,599.04	80,511.45	210.70	80,722.15
				2,183.55			1,704.84
				50,782.59			82,426.99
(v)	Capital Expenditure						
	Unallocated	4,217.36	6,526.13	10,743.49	758.36	—	758.36
				118.87			—
				10,862.36			758.36
(vi)	Depreciation						
(vii)	Non Cash Expense other than Depreciation (unallocated)	2,095.68	1,018.89	3,114.57	1,764.22	199.45	1,963.67
				72.37			52.84

Geographical Segment

		Year ended 31.03.2010			Year ended 31.03.2009		
		Within India	Outside India	Total	Within India	Outside India	Total
(i)	Segment Revenue	105,609.86	17,647.54	123,257.40	94,466.31	25,566.71	120,033.02
(ii)	Capital Expenditure	10,862.36	—	10,862.36	758.36	—	758.36
(iii)	Segment Assets	134,916.35	4,812.96	139,729.31	102,367.41	1,687.18	104,054.59

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
------	--------------

- 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.
- Others
 - Mr. Ashok Goyal, Managing Director: Key Management Personnel

ii) Particulars of Transactions during the year ended 31st March, 2010

	Year ended 31st March, 2010	Year ended 31st March, 2009
A) Key Management Personnel		
a) Directors Remuneration	172.54	166.67
B) Subsidiary Companies		
a) Equity Contribution to the Subsidiary	1.86	26.18
b) Loans and Advances given		
Phillips Carbon Black Cyprus Holding Ltd.	684.19	—
c) Balance Outstanding at the year end		
Phillips Carbon Black Cyprus Holding Ltd.	684.19	—

- 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.

- Expenses are after adjustment of amounts reimbursed to or by the Company.

- Interest expenditure is net of Rs. 226.67 lakhs (Previous Year - Rs.466.89 lakhs) being interest earned on Fixed Deposits and Margin Money Deposits and Others [Gross, Tax Deducted at Source Rs. 32.33 lakhs (31.03.2009 Rs 104.58 lakhs)] and borrowing cost capitalised of Rs. 1,508.47 lakhs (31st March, 2009 - Rs. 2,938.02 lakhs)

- Rent of Rs. 116.96 lakhs (Previous Year - Rs. 73.61 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 offices; warehouses etc. and *inter alia* include escalation clause and option for renewal.

- Commercial operation of 90,000 MT p.a. capacity carbon black plant at Mundra, 30 MW of Co-generation Power Plant at Durgapur and 16 MW of Co-generation power plant at Mundra commenced from 17th October, 2009, 1st April, 2009 and 24th December, 2009 respectively.

- Previous Year's figures have been regrouped or rearranged 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,
28th April, 2010

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	31.03.2010

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

Public Issue	Nil
Bonus Issue	Nil
Rights Issue	Nil
Private Placement	Nil

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

Total Liabilities	8,894,672
Total Assets	8,894,672

Sources of Funds

Paid-up Capital	282,526
Convertible Warrants	–
Reserve and Surplus	2,961,547
Secured Loan	4,959,209
Unsecured Loans	595,390
Deferred Tax Liability	96,000

Applications of Funds

Net Fixed Assets (incl. CWIP)	6,854,677
Investments	377,796
Net Current Assets	1,662,199
Miscellaneous Expenditure	–
Accumulated Losses	–

(iv) Performance of the Company
(Amount in Rs. Thousands)

Turnover (incl. other income)	13,471,905
Total Expenditure	12,166,066
Profit/(Loss) Before Tax	1,305,839
Profit/(Loss) After Tax	1,226,949
Earning per Share in Rs.	43.43
Dividend (excl. Dividend Tax)	141,266

(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, 2010

	Year ended 31st March, 2010 Rupees in Lakhs	Year ended 31st March, 2009 Rupees in Lakhs
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before taxation	13,058.39	(9,730.05)
Adjustments for :		
Depreciation	3,114.57	1,963.67
Loss on Disposal of fixed assets (net)	92.10	379.68
Unrealised (gain)/loss (net) on foreign exchange fluctuation	(1,785.00)	201.09
Income from Dividend	(14.92)	(177.00)
Interest (Received/Receivable on Inter Corporate Deposits etc.)	(226.67)	(188.29)
Profit (net) on sale of Investment	(0.66)	(1,113.31)
Interest (Paid/Payable on loans etc.)	3,120.92	2,936.13
Bad Debts written off (net)	7.83	48.64
Provision for Doubtful Debts (net)	210.45	36.31
Provision for diminution in value of investments	—	0.10
Amortisation of payments under expenses on Voluntary Retirement Schemes	78.62	52.84
	4,597.24	4,139.86
Operating Profit/(Loss) before Working Capital Changes	17,655.63	(5,590.19)
Adjustments for :		
Inventories	(7,565.04)	3,431.50
Trade and Other Receivables	(15,034.07)	2,594.75
Trade Payables	11,676.96	11,905.92
	(10,922.15)	17,932.17
Cash Generated from Operations	6,733.48	12,341.98
Direct Taxes Paid (including Tax Deducted at Source)	(2,451.00)	(947.82)
Payments under Voluntary Retirement Scheme	(6.25)	(37.20)
	4,276.23	11,356.96
B. Cash Flow from Investing Activities		
Payments for fixed assets	(9,425.12)	(24,345.38)
Sale proceeds of fixed assets	37.97	107.59
Purchase of Investments	(1,250.00)	(54,939.83)
Sale of Investments	1,250.66	55,104.98
Investment in Subsidiary	(1.86)	(26.18)
Advance to Subsidiary	(684.19)	—
Dividend received from Investments	14.92	177.00
Inter Corporate Deposits given	(3,465.00)	(3,770.00)
Inter Corporate Deposits realised	3,465.00	3,770.00
Interest Received Others	—	5.35
Interest Received on Inter Corporate Deposits etc.	226.67	141.49
	(9,830.95)	(23,774.98)
Net Cash used in Investing Activities		
C. Cash Flow from Financing Activities		
Allotment money (including premium) received	—	4,023.04
Proceeds from long term borrowings	—	24,466.92
Proceeds from short term borrowings	8,000.00	10,175.00
Repayment of long term borrowings	(4,230.48)	(2,851.93)
Repayment of short term borrowings	(3,000.00)	(11,175.00)
Increase/(Decrease) in cash credit facilities, temporary overdrafts etc. from banks	12,340.12	(7,343.93)
Dividends paid (including tax on dividend)	(4.25)	1,172.45)
Interest paid	(4,961.55)	(4,496.25)
	8,143.84	11,625.40
Net Cash from / (used in) Financing Activities	8,143.84	11,625.40
Net Increase in Cash and Cash Equivalents	2,589.12	(792.62)
Opening Cash and Cash Equivalents	713.47	1,506.09
Closing Cash and Cash Equivalents	3,302.59	713.47

Notes :

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 Cash Flow Statement.
- 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.
- Previous year's figures have been regrouped or rearranged, where considered necessary.

9.00

11.50

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

P. Law
Partner
(Membership no. 51790)

Kolkata,
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

Phillips Carbon Black Limited

Statement pursuant to Section 212 of the Companies Act, 1956 relating to the Subsidiaries

Sl No.	Name of the Subsidiary	Phillips Carbon Black Cyprus Holdings Limited	PCBL Netherlands Holdings B.V.
1	Financial year of the subsidiary ended on	31st March, 2010	31st March, 2010
2.	Shares of the subsidiary held by the Company on the above date :	100%	100%
(a)	Number Face Value	5,100 (Eur 1.00)	18,000 (Eur 1.00)
(b)	Extent of holding	100%	100%
3	Net aggregate amount of profit/(loss) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company		
(a)	dealt with in accounts of the company for the year ended 31st March, 2010	Nil	Nil
(b)	not dealt with in the accounts of the Company for the year ended 31st March 2010	(26,195) Euro (Rs. 15,85,583)*	(42,652) Euro (Rs. 25,81,726)*
4	Net aggregate amount of profits for previous year of the subsidiary, since it became a subsidiary so far as they concern members of the Company :		
(a)	dealt with in the accounts of the Company for the year ended 31st March, 2010	Nil	Nil
(b)	not dealt with in the accounts of the Company for the ended 31st March, 2010	Nil	Nil

(a) *Converted at the closing Exchange Rate for EURO/ Rs. = 60.53

(b) **The entire share capital of PCBL Netherlands Holdings B.V. is held by Phillips Carbon Black Cyprus Holdings Limited.

Kolkata
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

BOARD OF DIRECTORS	BRIANTSERVE LTD CEANTRUST LTD ASHOK GOYAL MENUSTRUST LTD UTPAL SAHA
SECRETARY	Elia Nicolaou
REGISTERED OFFICE	Avlonos 1, MARIA HOUSE 5th floor, P.C. 1075, Nicosia, Cyprus
AUDITORS	Yiallourides & Partners Chartered Accountants Ltd.
BANKER	Marfin Popular Bank Public Co. Ltd.

Auditors

The auditors of the Company Yiallourides & Partners Chartered Accountants Ltd. have signified their willingness to continue in office. A resolution proposing their re-appointment and authorizing the directors to fix their remuneration will be proposed to the members at the Annual General Meeting of the Company.

Dividends

The Directors recommend that no dividend is to be paid in respect of the year ended 31 March, 2010.

Share Capital

There were no changes in the share capital of the Company.

By order of the Board of Directors

BRIANTSERVE LTD. (Director)

22 April, 2010

Report of the Board of Directors for the period 1 April, 2009 - 31 March, 2010

Financial statements

The Directors present herewith the annual report and the audited financial statements of the Company for the year ended 31 March, 2010.

Principal activities

The major activity of the Company is holding and investment.

Results

Statement of income results appear on page 37.

Review of developments, position and performance of the Company's business.

The Company retained its financial performance and position at approximately the same levels as last year. There were no significant developments that caused changes in the position or performance of Company's business.

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces are explained in the notes to the financial statements.

Future developments

The Board of Directors does not anticipate any significant developments or changes in the Company's activities.

Events after the balance sheet date

The material events which occurred after the balance sheet date appear in the note 12 of the financial statements.

Branches

The Company did not operate through any branch during the year.

Board of Directors

The names of the Present Directors are shown on page 36.

Auditors' Report

To the Members of Phillips Carbon Black Cyprus Holdings Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Phillips Carbon Black Cyprus Holdings Ltd., which comprise the statement of financial position as at 31 March, 2010, and the statements of Income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

Phillips Carbon Black Cyprus Holdings Ltd.

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Phillips Carbon Black Cyprus Holdings Ltd. as of 31 March, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following :

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap. 113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Yiallourides & Partners Chartered Accountants Ltd.

16 Spyrou Kyprianou Str
Divine Clock Tower
1st Floor, Office 101
3070 Limassol, Cyprus

22 April, 2010

Statement of Income for the period 1 April, 2009 - 31 March, 2010

	Notes	Euro	Rs.
Operating and administrative expenses		(25,383)	(15,36,433)
Loss from operations	4	(25,383)	(15,36,433)
Financing expenses	5	(812)	(49,150)
Loss before taxation		(26,195)	(15,85,583)
Taxation		(26,195)	(15,85,583)
Loss after taxation		(26,195)	(15,85,583)
Other comprehensive expense			
Other comprehensive expense for the year		-	-
Total expense for the year		(26,195)	(15,85,583)

The accounts have been approved by the Board of Directors on 22 April 2010 and signed by :

BRIANTSERVE LTD. (Director)

22 April, 2010

Statement of financial position as at 31 March, 2010

	Notes	Euro	Rs.
Assets			
Non-current assets			
Investment in subsidiary company	6	10,76,236	6,51,44,565
Current assets			
Total assets		10,76,236	6,51,44,565
Equity and Liabilities			
Shareholder's funds			
Share capital	7	5,100	3,08,703
Reserves		10,505	6,35,867
		15,605	9,44,571
Current Liabilities			
Bank overdraft	8	96	5,811
Trade and other payables	9	12,850	7,77,810
Shareholder's current account	10	10,47,685	6,34,16,373
		10,60,631	6,41,99,994
Total equity and liabilities		10,76,236	6,51,44,565

The accounts have been approved by the Board of Directors on 22 April 2010 and signed by :

BRIANTSERVE LTD. (Director)

22 April, 2010

**Notes to the Financial statements for the period
1 April, 2009 - 31 March, 2010**

1. General

Formation and major activity

The Company is registered in Cyprus as a private limited liability company in accordance with the Companies Law, Cap 113.

The major activity of the Company is holding and investment

The registered office of the Company is at Avlonos 1, MARIA HOUSE, 5th floor P.C. 1075, Nicosia, Cyprus.

2. Principal accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

Adoption of new and revised IFRS

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. These adoptions did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company except for the application of International Accounting Standard 1 (Revised) "Presentation of Financial Statements" which will have a material effect on the presentation of the financial statements.

Comparative amounts

When necessary the comparative figures and the presentation of the financial statements have been adjusted to comply with the presentation and current year changes.

Investment in subsidiary companies

Subsidiary companies are companies in which the company, directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations. Investment in subsidiary companies is stated at cost. The carrying value of investment is reviewed for impairment when events or changes in circumstances indicate that the carrying value exceeds the estimated recoverable amount. In that case the investment is written down to its recoverable amount.

Financing expenses

Financing expenses include interest payable on borrowing, hire purchase creditors and bank overdraft.

Interest and finance expenses are recognised as expense in the statement of comprehensive income when they accrue.

Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and other intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and balances with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recorded at the proceeds received net of any transaction costs incurred. The total finance cost represents the interest on the outstanding amount of the debt and is charged to the statement of comprehensive income as it accrues.

Amounts payable after one year are shown as long term loans.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Euro which is the Company's functional and presentation currency.

(b) Transactions and balances

The financial statements are expressed in Euro which is the functional currency of the Company. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies and are retranslated at the rate of exchange ruling at the balance sheet. Any differences are taken to the statement of income. The Company is using Euro as its main currency because most of the transactions are in Euro.

3. Financial risk management

Financial risk factors

Amounts receivable on financial statements consist of cash in hand and at bank, investments, trade debtors and other amounts receivable. Amounts payable consist of loans, bank overdraft, trade and other creditors.

Credit risk

The Company's exposure to credit risk is as indicated by the carrying amounts of its assets.

Interest rate risk

Interest rate risk arises from the likelihood of adverse movements in the interest rates of bank overdrafts. The Company monitors on a continuous basis interest rate fluctuations.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's policy is not to enter into any hedging transactions.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amount at the balance sheet date.

Liquidity risk

Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses.

Phillips Carbon Black Cyprus Holdings Ltd.

Notes to the Financial Statements for the period 1 April, 2009 - 31 March, 2010

	Euro	Rs.
4. Loss from operations		
Loss is stated after charging		
Audit fees	9,000	5,44,770
5. Financing expenses		
Bank charges	812	49,150
6. Investments in subsidiary companies		
Opening balance	38,539	23,32,766
Additions	10,37,697	6,28,11,799
Closing balance	10,76,236	6,51,44,565
PCBL Netherlands Holdings B.V.	Country The Netherlands	% 100
The investment is stated at cost.		
7. Share Capital		
Authorised		
5,100 Ordinary shares of Euro1 each	5,100	3,08,703
Issued and fully paid		
5,100 Ordinary shares of Euro1 each	5,100	3,08,703
Movement in share capital account :		
Ordinary		
1 January	5,100	3,08,703
New issued	-	-
31 December	5,100	3,08,703
8. Bank Overdraft		
Bank overdraft	96	5,811
9. Trade and other payables		
Other creditors	-	-
Accruals	12,850	7,77,810
	12,850	7,77,810
The above amounts are payable within one year.		
10. Directors' and shareholders' current account		
Shareholders' current account	10,47,685	6,34,16,373

11. Cash and cash equivalents

Cash and cash equivalents that are presented in the cash flow statement comprise of the following balance sheet amounts :

Bank overdraft	(96)	(5,811)
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12. Post balance sheet events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

1 The amount in EURO is converted into rupee at a closing rate of 1 EURO = Rs. 60.53

Cash Flow Statement for the period from 1 April, 2009 to 31 March, 2010

Note	Cyprus Euro	Rs.
Cash flow from operating activities		
Net Loss before taxation	(25,383)	(1,536,433)
Operating loss before working capital changes	(25,383)	(1,536,433)
(Increase) /Decrease in trade and other receivables	-	-
(Increase) /Decrease in trade and other payables	12,850	777,811
Cash (used in) operating activities	(12,533)	(758,622)
Net cash (used in) operating activities	(12,533)	(758,622)
Cash flow from investing activities		
Investments sold/(purchased)	(10,76,236)	(65,144,565)
Net cash (used in) investing activities	(10,76,236)	(65,144,565)
Cash flow from financing activities		
Receipts from issue of share capital	41,800	2,530,154
Share premium	10,47,685	63,416,373
Advances from shareholders	(812)	(49,150)
Net cash from financing activities	10,88,673	65,897,377
Net decrease in cash and cash equivalents	(96)	(5,811)
Cash and cash equivalents at the beginning of the year		
Cash and cash equivalents at the end of the period	13	(96)

BOARD OF DIRECTORS	AMICORP NETHERLANDS B.V. UTPAL SAHA ASHOK GOYAL
SECRETARY	NIRMALA RADHAKISHUN
REGISTERED OFFICE	STRAWINSKYLAAN 1143, C - 11 1077 XX AMSTERDAM THE NETHERLANDS
AUDITORS	RSM NIEHE LANCEE ACCOUNTANTS N.V.
BANKER	ING BANK NV BIJLMERPLEIN 880

Directors' Report

The Directors present the Financial overview for consolidation purposes of PCBL Netherlands Holdings B.V. (the Company) for the financial year ended 31 March 2010.

Activities

In accordance with Article 2 of its Articles of Association the principal activity of the Company is holding, financing and investment activities.

Result for the year

The loss for the year amounts to EUR 42,652 (Rs. 25,81,726).

Future developments

The Directors expect to increase the investment in the coming year.

Auditor's Report

In accordance with your instructions, we have audited the financial overview of

PCBL Netherlands Holdings B.V. at Amsterdam

as of and for the year ended March, 31, 2010. This Financial overview is the responsibility of the Company's management and has been prepared by them in conformity with the accounting principles as set out in the notes to the financial statements for use in the preparation of the financial statements as of Phillips Carbon Black Cyprus Holdings Limited and for the year ended March 31, 2010. Our responsibility is to express an opinion on this financial overview based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the reporting package is free of material misstatements. 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.

Opinion

In our opinion, the financial overview for the 12 months period ended March 31, 2010 of PCBL Netherlands Holdings B.V. as of and for the year ended March 31, 2010 has been prepared, in all material respects, in conformity with accounting principles as set out in the notes to the financial statements and is suitable for inclusion in the financial statements of Phillips Carbon Black Cyprus Holdings Limited.

Emphasis of matter

This report is intended solely for use by the principal group auditor in connection with their audit of the financial statements of Phillips Carbon Black Cyprus Holdings Limited as of and for the year ended March 31, 2010 and is not intended for any other purpose.

By order of the Board of Directors

Ashok Goyal Utpal Saha

Amsterdam
21st April, 2010

Amicorp Netherlands B.V.

Amsterdam
RSM Nieve Lancee Accountants N.V.

Mrs. M. Van Dijke
Registeraccountant

Balance Sheet as at 31 March, 2010

	Note	Euro	Rs.
Assets			
Financial fixed Assets			
Advances	1	10,53,546	6,37,71,139
Total financial fixed assets		<u>10,53,546</u>	<u>6,37,71,139</u>
Current Assets			
Liquid assets	2	1,296	78,447
Total current assets		<u>1,296</u>	<u>78,447</u>
TOTAL ASSETS		<u>10,54,842</u>	<u>6,38,49,586</u>
Shareholder's Equity & Liabilities			
Shareholder's equity	3		
Issued and paid-up capital		18,000	10,89,540
Share premium		20,539	12,43,226
Other reserve			
Accumulated losses		(42,652)	(25,81,726)
Total shareholder's equity		<u>(4,113)</u>	<u>(2,48,960)</u>
Long term liabilities	4	10,37,697	6,28,11,799
Total long term liabilities		<u>10,37,697</u>	<u>6,28,11,799</u>
Current liabilities			
Creditors	5	21,258	12,86,747
Total current liabilities		<u>21,258</u>	<u>12,86,747</u>
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		<u>10,54,842</u>	<u>6,38,49,586</u>

The accompanying notes form an integral part of these Financial overview

Mrs. M. Van Dijke
Registeraccountant
RSM Niehe Lancee Accountants N.V.

Amsterdam
April 21, 2010

Profit and loss account for the year ended 31 March, 2010

	Note	Euro	Rs.
Operating & financial Income		-	-
Total operating & financial Income		<u>-</u>	<u>-</u>
Operating & financial expenses			
Audit fee		7,975	4,82,727
Management and administrative fee		13,700	8,29,261
Legal and corporate expenses		23,015	13,93,098
Bank charges		481	29,115
Exchange result		(2,828)	(1,71,179)
General expenses		309	18,704
Total operating & financial expenses		<u>42,652</u>	<u>25,81,726</u>
Net profit/(loss) before tax		<u>(42,652)</u>	<u>(25,81,726)</u>
Taxation	6	-	-
Net profit/(loss) after tax		<u>(42,652)</u>	<u>(25,81,726)</u>

The accompanying notes form an integral part of these Financial overview

Mrs. M. Van Dijke
Registeraccountant
RSM Niehe Lancee Accountants N.V.

Amsterdam
April 21, 2010

Notes to the Financial Overview

General

The Company is a private company with limited liability incorporated and existing under the laws of The Netherlands. The principal activity of the Company is holding, financing and investment activities. The statutory seat of the Company is in Amsterdam and the principle executive office of the Company is located at Strawinskylaan 1143, C-11, 1077XX Amsterdam, The Netherlands.

Accounting policies

General

The principles of valued are based on the historical cost and cost price convention. Assets and liabilities are valued at face value, unless indicated otherwise.

Financial fixed assets

Investments are valued at their cost of acquisition, fixed in Euros at the date of acquisition and reduced by provisions as necessary to reflect any permanent loss of value.

Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Euro's at the rates of exchange ruling at the balance sheet date. Operating transactions denominated in foreign currencies are translated into Euro's at rates of exchange ruling on or around the date of the transactions. Foreign exchange gains and losses arising as a result of the application of the above accounting policies are disclosed separately in the Profit and loss account.

Taxation

Taxation is determined in accordance with Dutch guidelines and directives for corporate income taxes, which take into account tax exempted items and non-deductible amounts. Tax benefits arising from available losses are only recognised in the event that such losses can be compensated against prior years' taxable profits or, to the extent deemed realized by the management, against future taxable profits.

31 March, 2010

Euro Rs.

1. Advances

Advance paid towards	10,53,546	63,771,139
Joint Venture in Vietnam		

On 8 May, 2008 the company signed a joint venture agreement in which the company shall have a 80% share capital. As per date of this financial overview, the joint venture has not yet been formally established. According to the joint venture agreement the total investment capital of the 100% joint venture will be USD 48 million. The Companies share will be 80% or USD 38.4 million. The investments up to 31 March, 2010 relate to payments made on behalf of the joint venture to facilitate the activities of the joint venture. These investments relate to the deposit payments for subleasing land at My Xuan A industrial zone.

Notes to the Financial Overview (Contd.)

2. Liquid assets

Liquid assets are at the free and unrestricted disposal of the Company.

	Euro	Rs.
Cash at Bank	1,296	78,447

3. Shareholder's equity

	Issued and paid-up capital	Share premium	Other reserve	Total as at 31 March, 2010
Balance as at 31 March (EURO)	18,000	20,539	(42,652)	(4,113)
Balance as at 31 March (Rs.)	10,89,540	12,43,226	(25,81,725)	(2,48,960)

The authorized share capital of the Company consists of 90,000 shares of EUR 1.00 nominal value each, which amounts to EUR 90,000. The issued share capital as at 31 March, 2010 consists of 18,000 shares of EUR 1.00 nominal value each, all of which are fully paid-up.

The ultimate parent company is Phillips Carbon Black Cyprus Holdings Limited, Nicosia, Cyprus.

	Euro	Rs.
4. Long term liabilities		
a) Accounts payable to related party		
Amount payable to Phillips Carbon Black Limited	-	-
b) Advance		
Amount received from shareholder	10,37,697	62,811,799
	10,37,697	62,811,799

5. Creditors

All current liabilities are expected to be paid within one year after the balance sheet date.

Other creditors and accrued expenses		
Other creditors	9,258	5,60,387
Provision towards audit fee	5,000	3,02,650
Provision towards accounting charges	4,000	2,42,120
Provision towards tax return service charges	3,000	1,81,590
	21,258	12,86,747

	Euro	Rs.
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PROFIT AND LOSS ACCOUNT

6. Taxation		
Dutch corporate income tax charge for the year	Nil	Nil

7. Employees

The average number of employees of the Company during the year was	Nil	Nil
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1 The amount in EURO is converted into rupee at a closing rate of 1 EURO = Rs. 60.53

Cash Flow Statement for the period from 1 April, 2009 to 31 March, 2010

	Note	Euro	Rs.
Cash flow from operating activities			
Net Loss before taxation		(42,652)	(2,581,726)
Operating loss before working capital changes		(42,652)	(2,581,726)
(Increase) /Decrease in trade and other receivables		(10,53,546)	(63,771,139)
(Increase) /Decrease in trade and other payables		21,258	1,286,747
Cash (used in) operating activities		(10,74,940)	(65,066,118)
Net cash (used in) operating activities		(10,74,940)	(65,066,118)
Cash flow from investing activities			
Investments sold/(purchased)		-	-
Net cash (used in) investing activities		-	-
Cash flow from financing activities			
Receipts from issue of share capital		18,000	1,089,540
Share premium		20,539	1,243,226
Advances from share holders		10,37,697	62,811,799
Net cash from financing activities		10,76,236	65,144,565
Net Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,296	78,447
Cash and cash equivalents at the end of the period	2	1,296	78,447

Auditors' Report on the Consolidated Financial Statements of Phillips Carbon Black Limited and Its Subsidiaries

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, 2010, 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. 688.47 lakhs and net assets of Rs. 667.82 lakhs as at 31st March, 2010, total revenue of Rs. Nil, net loss of Rs. 46.18 Lakhs and net cash flows amounting to Rs. 0.73 lakh for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has 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 auditor on separate financial statements and on the other financial information of the component 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, subject to Note 3 on Schedule 19 to the Accounts regarding reappointment and remuneration of the Managing Director of the Parent Company to the extent of Rs. 82.57 lakhs in respect of which shareholders approval will be sought for in the ensuing Annual General Meeting, 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, 2010;
 - (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 30112E
Chartered Accountants

P. LAW
Partner
(Membership no. 51790)

Kolkata
28th April, 2010

Consolidated Balance Sheet of Phillips Carbon Black Limited and its Subsidiaries as at 31st March, 2010

	<u>Schedule</u>	<u>As at 31st March, 2010 Rupees in Lakhs</u>
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Capital	1	2,825.26
Reserves and Surplus	2	29,571.06
		<u>32,396.32</u>
LOAN FUNDS	3	
Secured Loans		49,592.09
Unsecured Loans		5,953.90
		<u>55,545.99</u>
Deferred Tax Liability (Net) [Note 7 on Schedule 19]		960.00
		<u>88,902.31</u>
APPLICATION OF FUNDS		
FIXED ASSETS	4	
Gross Block		82,791.41
Less : Depreciation		23,475.38
Net Block		59,316.03
Capital Work in Progress (Note 6 on Schedule 19)		9,230.74
		<u>68,546.77</u>
INVESTMENTS	5	3,749.92
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	6	19,662.01
Sundry Debtors	7	29,496.69
Cash and Bank Balances	8	3,303.32
Other Current Assets	9	1,659.57
Loans and Advances	10	13,287.27
		<u>67,408.86</u>
Less :		
CURRENT LIABILITIES AND PROVISIONS		
Liabilities	11	48,784.74
Provisions	12	2,018.50
		<u>50,803.24</u>
NET CURRENT ASSETS		<u>16,605.62</u>
		<u>88,902.31</u>
NOTES ON CONSOLIDATED FINANCIAL STATEMENTS	19	

This is the Consolidated Balance Sheet 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,
28th April, 2010

Kaushik Mukherjee
Company Secretary

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

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, 2010

	Schedule		Year ended 31st March, 2010
			<u>Rupees in Lakhs</u>
INCOME			
Sales - Carbon Black		128,985.57	
Less : Excise Duty		<u>11,180.51</u>	
			117,805.06
Sales - Power			5,452.34
Other Income	13		281.14
Closing Stock of Finished Goods			<u>4,621.89</u>
			128,160.43
EXPENDITURE			
Opening Stock of Finished Goods			3,115.89
Raw Materials Consumed	14		88,429.00
Expenses	15		18,386.34
Depreciation			3,114.57
Finance and Other Expenses	16		<u>2,102.43</u>
			115,148.23
PROFIT BEFORE TAXATION			13,012.20
Provision for Taxation	17		<u>788.90</u>
PROFIT AFTER TAXATION			12,223.30
Balance brought forward from previous year			<u>3,949.40</u>
Profit available for Appropriation			16,172.70
Proposed Dividend			
- General Dividend		1,130.13	
- Golden Jubilee Year Dividend		<u>282.53</u>	1,412.66
Tax on Proposed Dividend			234.64
Transferred to General Reserve			<u>1,230.00</u>
Balance Carried to Balance Sheet (Schedule 2)			<u>13,295.40</u>
Earnings per Share (Rs.)	18		
– Basic			43.26
– Diluted			43.26
NOTES ON CONSOLIDATED FINANCIAL STATEMENTS	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 and on behalf of
PRICE WATERHOUSE
Firm Registration Number 301112E
Chartered Accountants

P. Law
Partner
(Membership no. 51790)

Kolkata,
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

Schedules forming part of the Consolidated Balance Sheet

		As at 31st March, 2010
		Rupees in Lakhs
SCHEDULE 1 – CAPITAL		
AUTHORISED		
50,000,000	Equity Shares of Rs. 10/- each	5,000.00
ISSUED, SUBSCRIBED AND PAID UP		
20,213,779		
	Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	2,021.38
	Less : Allotment Money receivable	0.07
		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)	369.28
4,346,667	Equity Shares of Rs. 10/- each fully paid up pursuant to a contract without payment being received in cash	434.67
		2,825.26
Notes :		
1) 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.		
SCHEDULE 2 – RESERVES AND SURPLUS		
Reserves		
	Securities Premium Account	10,814.87
	Capital Reserve	156.81
	Foreign Currency Translation Reserve	1.77
	General Reserve	
	Balance as per last Account	4,072.21
	Add : Transferred during the year	1,230.00
		5,302.21
	Surplus	
	Profit and Loss Account	13,295.40
		29,571.06
SCHEDULE 3 – LOAN FUNDS		
SECURED LOANS		
From Banks		
	– Cash Credit/Export Packing Credit facilities/Loans [Includes Rs. 44.19 lakhs on account of interest accrued and due]	13,285.42
	– Term Loans from Banks [Includes Rs. 20.43 lakhs on account of interest accrued and due]	33,747.87
	– Commercial Papers	2,500.00
	– Vehicle Loans	58.80
		49,592.09
UNSECURED LOANS		
	Loan from Bank - Short term	5,000.00
	Dealers Security Deposits	43.00
	Sales Tax Deferred Loans	910.90
		5,953.90
Total Loan Funds		55,545.99

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

SCHEDULE 4 – FIXED ASSETS

(Rupees in Lakhs)

DESCRIPTION	Original/ Revalued cost of Assets as at 31st March, 2009	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, 2010	Depreciation as at 31st March, 2009	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at 31st March, 2010	Balance as at 31st March, 2010
Tangible Assets									
Freehold Land	653.49	1,505.88	—	2,159.37	—	—	—	—	2,159.37
Leasehold Land									
Acquisition and Development Expenses	799.34	—	—	799.34	—	—	—	—	799.34
Buildings (a)	3,123.96	3,182.02	—	6,305.98	950.58	152.81	—	1,103.39	5,202.59
Non-Factory Buildings and Flats	1,627.73	728.90	—	2,356.63 (b)	313.97	40.30	—	354.27	2,002.36
Plant and Machinery	33,994.46	33,236.54	898.32	66,332.68	17,807.89	2,707.02	753.33	19,761.58	46,571.10
Electrical Installations	2,217.94	1,139.80	194.81	3,162.93	1,232.86	119.17	93.19	1,258.84	1,904.09
Motor Vehicles	516.35	1.32	59.48	458.19	131.86	44.79	37.74	138.91	319.28
Furniture, Fixtures and Office Equipment	818.65	113.80	12.80	919.65	517.50	50.48	5.62	562.36	357.29
Railway Sidings	89.62	—	—	89.62	89.01	—	—	89.01	0.61
Intangible Assets									
Computer Software - Acquired	207.02	—	—	207.02	207.02	—	—	207.02	—
	<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. 3906.49 lakhs and Rs. 988.76 lakhs respectively in respect of Buildings on leasehold land.

(b) Includes Rs. 84.00 lakhs being cost of renovation of rented office facilities being continuously used since inception and Rs. 9.84 lakhs being one-sixth share of jointly owned property.

SCHEDULE 5 – INVESTMENTS

[Note 1(vi) on Schedule 19] (At Cost)

Long Term

Quoted

4,155,743	Fully paid Equity Shares of Rs. 10/- each in Ceat Ltd.	2,614.91	
344,130	Fully paid Equity Shares of Rs. 10/- each in CESC Ltd.	1,115.74	
7,186	Fully paid Equity Shares of Rs. 10/- each in Bank of Baroda	16.53	
11,400	Fully paid Equity Shares of Rs. 10/- each in Indian Overseas Bank	2.74	
600,000	Fully paid Equity Shares of Rs. 10/- each in Norplex Oak India Ltd.	60.00	
1,910,000	Fully paid Equity Shares of Rs. 10/- each in Maple Circuits Ltd.	191.01	
			4,000.93

Unquoted

50 Fully paid Preference Shares of Rs. 100/- each in Norplex Oak India Ltd.	0.05	
50 Fully paid Preference Shares of Rs.100/- each in Maple Circuits Ltd.	0.05	0.10
		<u>4,001.03</u>

Less : Provision for diminution in carrying amount of Investments

251.11

3,749.92

Notes : (1) Aggregate amount of Quoted Investments :

Market value (excluding Norplex Oak India Ltd. and Maple Circuits Ltd. in absence of any current quotation) Rs. 7,572.74 lakhs

4,000.93

(2) Aggregate amount of Unquoted Investments

0.10

4,001.03

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

		As at 31st March, 2010 <u>Rupees in Lakhs</u>
SCHEDULE 6 – INVENTORIES		
[Note 1(vii) on Schedule 19]		
Stores and Spares		1,661.61
Raw Materials		13,378.51
Finished Goods		4,621.89
		<u>19,662.01</u>
SCHEDULE 7 – SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		600.88
Considered Good		
Considered Doubtful	210.45	
Less : Provision	<u>210.45</u>	<u>—</u>
		600.88
Other Debts – Considered good		28,895.81
		<u>29,496.69</u>
SCHEDULE 8 – CASH AND BANK BALANCES		
Cash in Hand		1.54
Remittances in Transit		1,662.75
With Banks :		
— On Current Accounts		1,590.19
— On Unpaid and Unclaimed Dividend Accounts		39.84
— On Margin Money Account against Guarantee		9.00
		<u>3,303.32</u>
SCHEDULE 9 – OTHER CURRENT ASSETS		
Unsecured Considered Good		
Deposits		1,043.02
[including 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		471.08
		<u>1,659.57</u>
SCHEDULE 10 – LOANS AND ADVANCES		
Unsecured - Considered good		
Advances recoverable in cash or in kind or for value to be received		2,960.74
Balances with Customs, Port Trust and Excise Authorities etc.		6,368.90
Advance payment of Taxes, etc.		1,707.63
[net of provision for taxation Rs. 9,246.45 lakhs]		
MAT Credit Entitlement		2,250.00
		<u>13,287.27</u>
SCHEDULE 11 – LIABILITIES		
Sundry Creditors		48,508.45
Investor Education and Protection Fund shall be credited by the following amounts (Note 2 below) :		
- Unpaid dividend		39.84
- Unpaid matured deposits		5.05
Other Liabilities		111.24
Interest Accrued but not due on borrowings		120.16
		<u>48,784.74</u>
Note : No amount was due for deposit as on the Balance Sheet date.		
SCHEDULE 12 – PROVISIONS		
Proposed Dividend		
- General Dividend	1,130.13	
- Golden Jubilee Year Dividend	<u>282.53</u>	1,412.66
Tax on Proposed Dividend		234.64
Provisions for Retirement Benefit		371.20
		<u>2,018.50</u>

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

	As at 31st March, 2010
	Rupees in Lakhs
SCHEDULE 13 – OTHER INCOME	
Dividend from Long Term Investments	14.92
Profit on Sale of Current Investments	0.66
Miscellaneous Income	265.56
	<u>281.14</u>
SCHEDULE 14 – RAW MATERIALS CONSUMED	
Opening Stock	6,638.17
Add : Purchases [Note 4 on Schedule 19]	95,169.34
	101,807.51
Less : Closing Stock	13,378.51
	<u>88,429.00</u>

Schedules forming part of the Consolidated Profit & Loss Account

	Year ended 31st March, 2010
SCHEDULE 15 – EXPENSES	
Salaries, Wages and Bonus	3,020.39
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	247.75
Labour and Staff Welfare	397.52
Consumption of Stores, Spare parts	3,919.42
Power and Fuel	1,263.34
Water Charges	103.58
Rent	116.96
Rates and Taxes	115.35
Repairs and Maintenance :	
– Buildings	141.96
– Plant and Machinery	570.61
– Others	221.68
	<u>934.25</u>
Insurance	40.80
Travelling and Transport Expenses	532.25
Subscriptions and Donations	124.08
Miscellaneous Expenses	3,336.01
Freight Outward	2,456.66
Commission	1,052.98
Directors' Fees	7.25
Research and Development Expenses	407.37
Loss on Disposal of Fixed Assets (net)	92.10
Bad Debts written off (Net of Provision)	7.83
Provision for Doubtful Debts	210.45
	<u>18,386.34</u>
SCHEDULE 16 – FINANCE AND OTHER EXPENSES	
Interest (Note 17 on Schedule 19)	
- On Fixed Loans	2035.23
- On Others	859.02
	<u>2,894.25</u>
Bank Charges & Discounting Charges	1,356.58
(Gain)/Loss on Foreign Exchange Fluctuations (net)	(2,148.40)
(Including premium of Rs. 298.71 Lakhs on Option Contract)	
	<u>2,102.43</u>
SCHEDULE 17 – PROVISION FOR TAXATION	
Current Tax	2,250.00
Less : MAT Credit Entitlement	2,250.00
	<u>788.90</u>
Deferred Tax Charge /(release)	788.90
	<u>788.90</u>
SCHEDULE 18 – EARNINGS PER SHARE	
(a) Adjusted Number of Equity Shares at the beginning of the period	28,253,130.00
(b) Adjusted Number of Equity Shares at the end of the period	28,253,130.00
(c) Weighted average number of Equity Shares outstanding during the period (Basic EPS)	28,253,130.00
(d) Dilutive Potential Equity Shares outstanding during the year	–
(e) Weighted average number of Equity Shares outstanding during the period (Diluted EPS)	28,253,130.00
(f) Nominal Value of each Equity Share (Rs.)	10.00
(g) Profit after Taxation attributable of Equity Shareholders of the parent company (Rupees in Lakhs)	12,223.30
Basic Earnings per Share (Rs.) [(g)/(c)]	43.26
Diluted Earnings per Share (Rs.) [(g)/(e)]	43.26

SCHEDULE 19 – NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies:

i. Fixed Assets

Fixed assets revalued (basis indicated in Note 5.2 below) are stated at revalued amounts 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 licence 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 5.1 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. Investment

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 the basis of dispatch/ shipment of goods to customers and the sale of power is recognised based on power off-take by the customer.

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 the Parent Company's other employees are recognized 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)], 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

Payments under Voluntary Retirement Schemes are amortized over the period being lower of:

(i) The remaining period of service of the related employees,

(ii) five years (for payments made up to 31st March, 2006),

(iii) Year ending 31st March, 2010 (in case of payments made from 1st April, 2006).

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.

xii. Consolidation

a) Consolidated financial statements relate to Phillips Carbon Black Limited, the Parent Company and its subsidiaries (the Group). The consolidated financial statements are in conformity with the Accounting Standard – 21 on

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

Consolidated Financial Statements notified under Section 211 (3C) of the Companies Act, 1956 of India (the Act) and are prepared as set out below:

- b) The financial statements of the Parent Company and its subsidiaries are 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.
- c) 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.
- d) The translation of the functional currencies into Indian Rupees (reporting currency) is performed for assets and liabilities of foreign subsidiary using the closing exchange rates at the Balance Sheet date, for revenues, costs and expenses using average rates prevailing during the period. The resultants 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.

2. The Consolidated Financial Statements comprise the financial statements of the Parent Company and its wholly owned subsidiary company as detailed below:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest
Overseas:		
Phillips Carbon Black		
Cyprus Holdings Limited (PCBCHL)	Cyprus	100%
PCBL Netherlands Holdings B.V*	The Netherlands	100%

* Wholly owned subsidiary of PCBCHL

3. Shareholders' approval will be obtained in the ensuing Annual General Meeting for re-appointment of Managing Director of the Parent Company with effect from 23rd October 2009 and remuneration amounting to Rs. 82.57 lakhs paid to him from that date.
4. Raw Material Purchase is net of Rs. 1,407.28 lakhs being benefits under various duty exemption schemes pertaining to exports / deemed exports.
- 5.1 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 Act.
 - (b) Other assets added up to 31st March, 1987: Under written down value method at rates specified in Schedule XIV of the Act.
 - (c) Additions since 1st April, 1987: Under Straight line method at rates specified in Schedule XIV of the Act.
- 5.2 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.

- 5.3 Depreciation for the year ended 31st March, 2010 on items of fixed assets revalued include an additional charge of Rs. 255.84 lakhs over that calculated on original cost at rates prescribed under Schedule XIV of the Act 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.2,604.94 lakhs
7. Details of Deferred Tax Asset/Liability considered in these accounts :-

	As at 31st March, 2010 Rupees in Lakhs
Deferred Tax Liability on account of -	
- Depreciation	6,381.24
- Others	-
	<u>6,381.24</u>
Deferred Tax Asset on account of -	
- Unabsorbed Tax loss/Depreciation*	5,266.57
- Items allowable for tax purpose	66.01
on Payment/adjustments	
- Others	88.66
	<u>5,421.24</u>
	<u>960.00</u>

*Absorption expected based on future taxable income

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.

	As at 31st March, 2010 Rupees in Lakhs
Contingent Liabilities for :	
(9.1) Claims against the Company not acknowledged as debts : Income-tax matters pending (other than matters set aside for reassessment)	119.95
(9.2) Outstanding Bank Guarantees etc.	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	9.00
- Outstanding	9.00

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

10. Premium on foreign exchange arising from forward exchange contract to be recognized in the accounts of future periods is Rs. 29.00 lakhs.

11. Capital Commitments (net of advances Rs. 2,604.94 lakhs) not provided for as at 31st March, 2010 are estimated at 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, 2010	As at 31st March, 2010	As at 31st March, 2010
Opening balance	621.65	160.49	70.42
Current Service Cost	46.73	87.43	–
Interest cost	47.78	11.76	5.63
Actuarial (loss)/gain	87.69	33.47	29.06
(Benefits paid)	(48.83)	(27.05)	–
Closing balance	755.02	266.09	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, 2010
Opening balance	674.20 @
Expected return on Plan Asset	53.94
Actuarial loss/(gain)	1.46
Company's contribution	92.82
Benefits paid	(48.83)
Closing balance	773.59

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

@Includes accretion to plan assets of Rs 104.94 Lakhs 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, 2010	As at 31st March, 2010	As at 31st March, 2010
Present value of obligation	755.02	266.09	105.11
Fair Value of Plan Asset	773.59	–	–
Net Asset/ (Liability)	18.57	(266.09)	(105.11)

12.4 Amount recognised in Balance Sheet -

Rupees in Lakhs

	Gratuity	Leave Encashment	Medical
	As at 31st March, 2010	As at 31st March, 2010	As at 31st March, 2010
Current service cost	46.73	87.43	–
Interest cost	47.78	11.76	5.63
Expected Return on Plan Asset	(53.94)	–	–
Actuarial loss/(gain)	86.23	33.47	29.06
Recognised in Profit and Loss Account	126.80	132.65	34.69
Under	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	Salaries, Wages and Bonus	Labour and Staff Welfare

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

12.5. Principal Actuarial Assumptions used –

	Year Ended 31st March, 2010
Mortality Table	LICI 1994-1996
Discount rate	8.00%
Inflation rate	5.00%
Expected Return on assets	8.00%
Medical cost trend rates	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, 2010	
	Increase	Decrease
	Rupees in Lakhs	
Aggregate of current service cost and interest cost	5.58	5.58
Accumulated Post Employment benefit obligation for medical cost	0.89	0.89

12.7 As regards contribution to the provident fund maintained with separate Trust, the Parent Company's Actuary has certified that the Trust fund is adequate for distribution of interest at the rate currently prescribed by the Government and based on actuarial valuation carried out in terms of revised AS 15 no additional contribution to the fund is required from the Parent Company towards any inadequacy.

12.8 For the Defined Contribution Plans amounts aggregating Rs.223.92 lakhs have been recognised 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 31st March, 2010		
		Carbon Black	Power	Total
(i)	Segment Revenue			
	External Sales	117,805.06	5,452.34	123,257.40
	Inter-segment Sales	—	1,761.00	1,761.00
		117,805.06	7,213.34	125,018.40
(ii)	Segment Results			
	Profit before interest and tax	14,212.64	5,148.00	19,360.64
	Unallocated (expenses)/income (net)			(3,454.19)
	Interest			(2,894.25)
	Profit before tax			13,058.39
(iii)	Segment Assets			
	Unallocated	102,820.24	24,890.34	127,710.58
				11,994.97
				139,705.55
(iv)	Segment Liabilities			
	Unallocated	48,599.04	—	48,599.04
				2,204.20
				50,803.24
(v)	Capital Expenditure			
	Unallocated	4,217.36	6,526.13	10,743.49
				118.87
		4,217.36	6,526.13	10,862.36
(vi)	Depreciation			
(vii)	Non Cash Expense other than Depreciation (unallocated)	2,095.68	1,018.89	3,114.57
				72.37

Geographical Segment

		Year ended 31st March, 2010		
		Within India	Outside India	Total
(i)	Segment Revenue	105,609.86	17,647.54	123,257.40
(ii)	Capital Expenditure	10,862.36	—	10,862.36
(iii)	Segment Assets	134,892.59	4,812.96	139,705.55

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

14. Related Party Disclosures :

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

i) Related Parties

Name	Relationship
Mr. Ashok Goyal, Managing Director	Key Management Personnel

ii) Particulars of Transactions during the year ended 31st March, 2010

	Year ended 31st March, 2010
A) Key Management Personnel	
a) Managing Director's Remuneration	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. 226.67 lakhs being interest earned on Fixed Deposits and Margin Money Deposits and Others (Gross, Tax Deducted at source Rs. 32.33 lakhs) and borrowing cost capitalised of Rs. 1,508.47 lakhs.

18. Rent of 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 offices; warehouses etc. and *inter alia* include escalation clause and option for renewal.

19. Commercial operation of the Parent Company's 90,000 MT p.a. capacity carbon black plant at Mundra, 30 MW of Co-generation Power Plant at Durgapur and 16 MW of Co-generation power plant at Mundra commenced from 17th October, 2009, 1st April, 2009 and 24th December, 2009 respectively.

20. This being the first year of preparation of Consolidated Financial Statements, comparative figures for the previous year have not been furnished.

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,
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

**Consolidated Cash Flow Statement of Phillips Carbon Black Limited
and its Subsidiaries for the year ended 31st March, 2010**

		Year ended 31st March, 2010 Rupees in Lakhs
A. Cash Flow from Operating Activities		
Net Profit before taxation		13,012.20
Adjustments for :		
Depreciation	3,114.57	
Loss on sale of fixed assets (net)	92.10	
Unrealised (gain)/loss (net) on foreign exchange fluctuation	(1,785.00)	
Income from Dividend	(14.92)	
Interest (Received/Receivable on Inter Corporate Deposits etc.)	(226.67)	
Profit (net) on sale of Investment	(0.66)	
Interest (Paid/Payable on loans etc.)	3,120.92	
Bad Debts written off (net)	7.83	
Foreign Currency Translation Reserve	1.77	
Provision for Doubtful Debts (net)	210.45	
Amortisation of payments under/Expenses on Voluntary Retirement Schemes	78.62	4,599.01
Operating Profit before Working Capital Changes		17,611.21
Adjustments for :		
Inventories	(7,565.04)	
Trade and Other Receivables	(15,037.26)	
Trade Payables	11,676.96	(10,925.34)
Cash Generated from Operations		6,685.87
Direct Taxes Paid (including Tax Deducted at source)		(2,451.00)
Payments under Voluntary Retirement Scheme		(6.25)
Net Cash from Operating Activities		4,228.62
B. Cash Flow from Investing Activities		
Payments for fixed assets	(9,425.12)	
Sale proceeds of fixed assets	37.97	
Purchase of Investments	(1,250.00)	
Sale of Investments	1,250.66	
Advance paid for setting up a Joint Stock Company in Vietnam	(637.71)	
Dividend received from Investments	14.92	
Inter Corporate Deposits given	(3,465.00)	
Inter Corporate Deposits realised	3,465.00	
Interest received on Inter Corporate Deposit etc.	226.67	
Net Cash used in Investing Activities		(9,782.61)
C. Cash Flow from Financing Activities		
Proceeds from long term borrowings	8,000.00	
Repayment of long term borrowings	(4,230.48)	
Repayment of short term borrowings	(3,000.00)	
Increase/(Decrease) in cash credit facilities, temporary overdrafts etc. from banks	(12,340.12)	
Dividends paid	(4.25)	
Interest paid	(4,961.55)	
Net Cash (used in)/from Financing Activities		8,143.84
Net Increase in Cash and Cash Equivalents		2,589.85
Opening Cash and Cash Equivalents		713.47
Closing Cash and Cash Equivalents		3,303.32

Notes :

- The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 Cash Flow Statement.
- Cash and Cash Equivalents (refer Schedule 8 to consolidated Balance Sheet) include balances with scheduled banks on Margin Money not available for immediate/ready use by the Company. 9.00
- Refer Note 20 on Schedule 19 to Consolidated Statements.
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,
28th April, 2010

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

Financial Summary

2005 - 2010

(Rupees in Lakhs)

	2009-10	2008-09	2007-08	2006-07	2005-06
Sales	134,437.91	120,033.02	106,802.87	106,566.95	77,341.42
Other Income	281.14	1,444.17	533.78	346.68	123.41
Expenses	121,660.66	131,207.24	96,058.21	102,458.99	79,334.44
Profit Before Tax	13,058.39	(9,730.05)	11,278.44	4,454.64	(1,869.61)
Taxation	788.90	(3,245.91)	2,347.59	2,101.44	(362.37)
Profit After Tax	12,269.49	(6,484.14)	8,930.85	2,353.20	(1,507.24)
Dividend (including Tax)	1,647.30	—	1,181.80	590.90	—
Retained Profits/(Loss)	10,622.19	(6,484.14)	7,749.05	1,762.30	(1,507.24)
Capital Employed	88,946.72	64,545.34	56,851.23	45,909.76	47,960.23
Application of Funds					
Fixed Assets (including CWIP)	68,546.77	61,074.51	37,541.49	28,138.09	28,219.99
Investments	3,777.96	3,776.10	2,805.52	2,805.52	2,906.53
Net Current Assets	16,621.99	377.64	16,504.22	14,966.15	16,833.71



Phillips Carbon Black Limited

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Durgapur - 713 201
Dist. Burdwan
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Fax : (0343) 2556392
E-Mail : nlee@pcbltd.com

Palej Plant

National Highway No. 8
Palej : 392 220
Dist. : Bharuch
Gujarat
Phone : (02642) 277159, 277160
277902
Fax : (02642) 278134
E-Mail : girish@pcbltd.com

Kochi Plant

Karimugal
Brahmapuram P.O.
Kochi - 682 303
Phone : (0484)-2720833/947/
331/383
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E-Mail : k.muralidharan@pcbltd.com

Mundra Plant

Survey No. 47, SH - 46
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Mundra - 370421
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Chennai

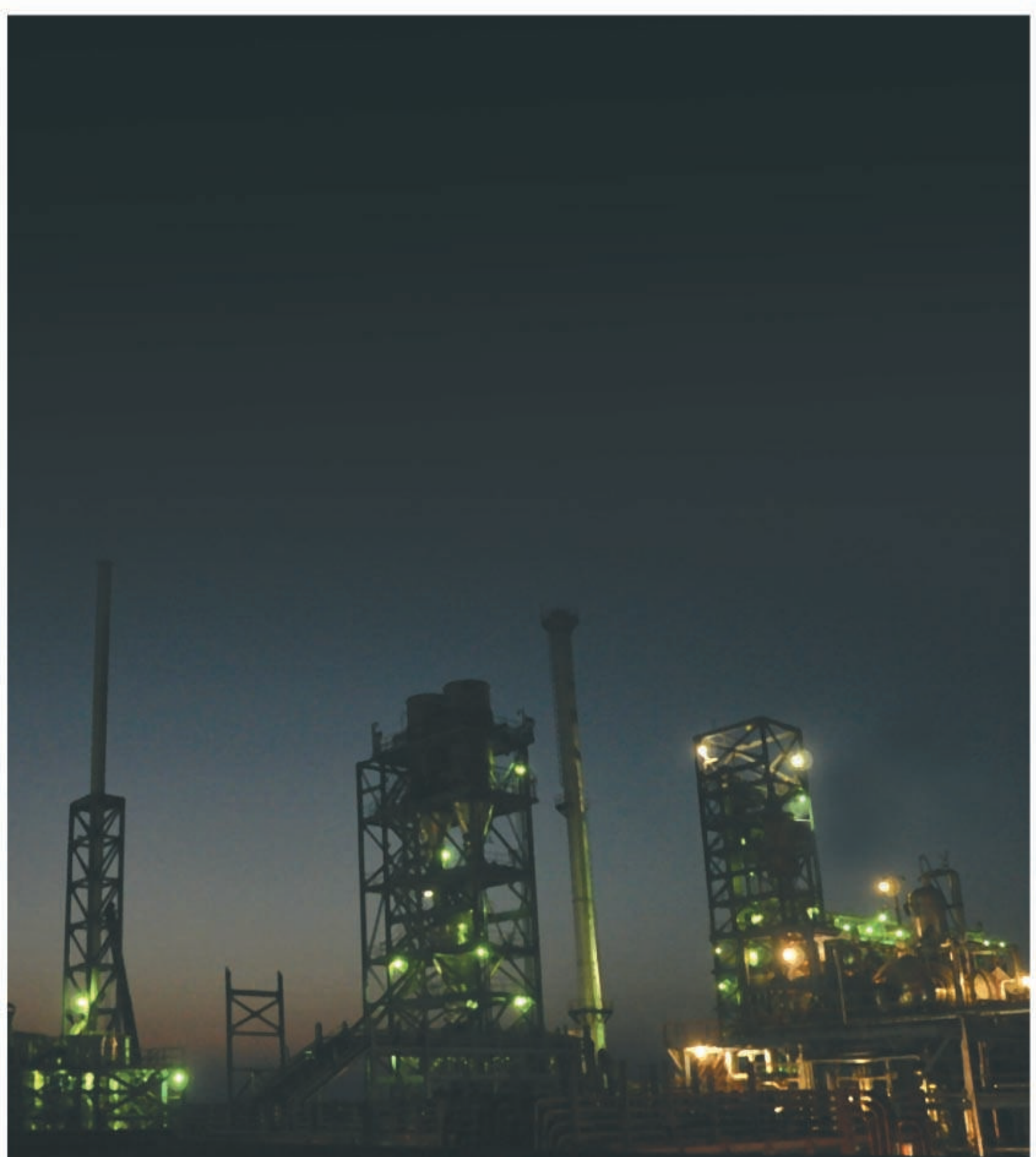
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A night view of the PCBL plant at Mundra, Gujarat.