Placement Document
Strictly Confidential and Not for Circulation

Serial Number :[●]

PHILLIPS CARBON BLACK LIMITED

(Incorporated in the Republic of India with limited liability under the Companies Act, 1956, with Registration Number 24602 and Corporate Identification Number L24119WB1960PLC024602)

Phillips Carbon Black Limited (**"PCBL"** or our **"Company"** or the **"Issuer"**) is issuing 49,64,376 Equity Shares of face value Rs. 10/- each (the **"Equity Shares"**) at a price of Rs 200/- per Equity Share, which represents a premium of Rs.190/- per Equity Share, for a sum of Rs. 9928.75 lakhs (the **"Issue"**) in reliance on upon Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (**"SEBI REGULATIONS"**).

ISSUE AND THE DISTRIBUTION OF THE PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER VIII OF THE SEBI REGULATIONS

THE ISSUE AND THE DISTRIBUTION OF THE PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURES REQUIREMENTS) REGULATIONS, 2009 (SEBI REGULATIONS), IN THE UNITED STATES ONLY TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT") AND OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT. THE PLACEMENT DOCUMENT IS MEANT ONLY FOR QUALIFIED INSTITUTIONAL INVESTORS (AS DEFINED IN THE SEBI REGULATIONS) ("QIBs") ON A PRIVATE PLACEMENT BASIS AND IS PERSONAL TO EACH PROSPECTIVE QIB INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR EQUITY SHARES OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA.

Invitations, offers and sales of Equity Shares shall only be made pursuant to the Preliminary Placement Document, Placement Document, Confirmation of Allocation Note and the Bid cum Application Form. For further details, please refer to the section titled, "Issue Procedure" on page 109 of this Placement Document. The distribution of this Placement Document or the disclosure of its contents without our prior consent to any person, other than QIBs and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of Equity Shares, is unauthorized and prohibited. Each Qualified Institutional Buyer, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions, and to make no copies of the Placement Document or any documents referred to in the Placement Document.

THE PLACEMENT IS MEANT ONLY FOR QIBs ON A PRIVATE PLACEMENT BASIS AND IS NOT AN OFFER TO THE PUBLIC OR TO ANY OTHER CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA

This Placement Document has not been reviewed by the Securities and Exchange Board of India (**"SEBI"**), the Reserve Bank of India(**"RBI"**), the Bombay Stock Exchange Limited (**"BSE"**), the National Stock Exchange of India Limited (**"NSE"**), the Calcutta Stock Exchange Limited (**"CSE"**), (BSE, NSE and CSE collectively referred to as the **"Stock Exchanges"**) or any other regulatory or listing authority and is intended only for use by QIBs. The Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India and will not constitute a public offer in India or any other jurisdiction. The issue of Equity Shares has not been approved or disapproved by SEBI or any other Regulatory authority.

Investments in equity and equity related securities involve a degree of risk and prospective Investors should not invest any funds in the Issue unless they are prepared to take the risk of losing all or part of their investment. Prospective Investors are advised to carefully read the "Risk Factors" of the Placement Document before making an investment decision in the Issue. Each prospective Investor is advised to consult its advisors about the particular consequences to it of an investment in the Equity Shares being issued pursuant to the Placement Document.

Our Company having made all reasonable enquiries, accepts responsibility for, and confirms that this Placement Document contains all information with regard to our Company and the Issue, as required by Chapter VIII of the SEBI Regulations; that the information contained in this Placement Document is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

The information on our Company's website or any website directly or indirectly linked to our Company's website or otherwise on the internet does not form part of this Placement Document (other than information specifically contained in this Placement Document) and prospective Investors should not rely on such information contained in, or available through, such websites.

All of our Company's outstanding Equity Shares are listed on the CSE, BSE and NSE. Applications shall be made for listing of the Equity Shares offered through this Placement Document on the Stock Exchanges. The closing price of our outstanding Equity Shares as reported on the BSE and the NSE on April 29, 2010 was Rs. 218.40 and Rs. 218.10 per equity share, respectively. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THE PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI REGULATIONS, OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document and the Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document will also be delivered to the SEBI for record purposes. The Preliminary Placement Document or Placement Document will not be vetted by SEBI or any other regulator.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares offered hereby are not transferable except in accordance with the restrictions described under *"Transfer Restrictions"*. The Equity Shares have not been approved or disapproved by the SEBI or the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary may be a criminal offence in certain jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States in reliance on Regulation S. For further details, please refer to the section titled *"Transfer Restrictions"*.

The Placement Document is dated May 03, 2010

BOOK RUNNING LEAD MANAGER	ADVISOR TO THE COMPANY
VC CORPORATE ADVISORS PRIVATE LIMITED	SMIFS CAPITAL MARKETS LIMITED

This Placement Document is not an offer to sell any securities and is not soliciting an offer to subscribe or buy securities in any jurisdiction where such offer or sale is not permited. It is being issued for the sole purpose of information or discussion relating to the Equity Shares that may be issued through the Placement Document.

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NOTICE TO INVESTORS

Our Company accepts responsibility for the information contained in this Placement Document and to the best of our knowledge and belief, having made all reasonable enquiries, confirms that this Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of the Issue. The statements contained in this Placement Document relating to our Company and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

VC Corporate Advisors Pvt. Ltd., the Book Running Lead Manager, has not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, the Book Running Lead Manager nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Book Running Lead Manager makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Book Running Lead Manager as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has relied neither on the Book Running Lead Manager nor on any person affiliated with the Book Running Lead Manager or in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the Book Running Lead Manager. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares issued pursuant to this Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities have passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the issue of the Equity Shares pursuant to the issue in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Book Running Lead Manager which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Within the United States, this Placement Document is being provided only to persons who are "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

In making an investment decision, Investors must rely on their own examination of our Company and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters, whether relating to India or any other jurisdiction, concerning the Issue. In addition, neither our Company nor the Book Running Lead Manager are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations, both inside and outside India.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

Each purchaser of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the SEBI Regulations and is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

The information on our Company's Website: www.pcblltd.com and the website of the Book Running Lead Manager: www.vccorporate.com does not constitute nor form part of this Placement Document.

This Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at the Registered Office of our Company located at Kolkata, West Bengal, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the BRLM as named in this document, nor any person who controls the BRLM any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from BRLM.

You are reminded that you have accessed the attached Placement Document on the basis that you are a person into whose possession the Placement Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply via e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You may not and are not authorized to (1) forward or deliver the attached Placement Document, electronically or otherwise, to any other person or (2) reproduce such Placement Document in any manner whatsoever. Any forwarding, distribution or reproduction of this document and the attached Placement Document in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the U.S. Securities Act or the applicable laws of other jurisdictions.

You are responsible for protection against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

REPRESENTATIONS BY INVESTORS

All references to "you" in this section are to prospective Investors in the Issue. By subscribing to the Equity

Shares under the Issue, you are deemed to have represented and acknowledged to our Company and the BRLM and agreed as follows:

- You are a qualified institutional buyer as defined in Regulation 2(1)(zd) of the SEBI Regulations and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;

- you are a resident of India or if you are resident in country other than India that you are permitted by all applicable laws to acquire Equity Shares;

- If you are a resident of the U.S. or a U.S. person (as defined in Regulation S), that you are a 'qualified institutional buyer' as defined in Rule 144A and are acquiring the Equity Shares for your own account and not with a view to distribution;

- you confirm that (a) the electronic mail address that you gave us and to which the electronic mail has been delivered is not located in the United States, its territories or possessions and (b) to the extent that you purchase the securities described in the Placement Document, you will be doing so (i) pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") or (ii) you are, or are acting on behalf of, a "qualified institutional buyer" as defined in Rule 144A pursuant to Section 4(2) of the Securities Act; (c) you are aware that the securities offered hereby have not been and will not be registered under the U.S. Securities Act;

- You consent to delivery of this Placement Document and any amendments or supplements thereto by electronic transmission. You are reminded that this document has been delivered to you on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this document to any other person. The materials relating to the Issue do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law;

- The Equity Shares have not been and will not be registered under the SEBI Regulations or under any other law in force in India. The Placement Document has not been verified or affirmed by SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Placement Document will be filed with the Stock Exchanges for record purposes only and will be displayed on the websites of our Company and the Stock Exchanges;

- You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions and you have all necessary capacity and have obtained all necessary consents and authorities, and that you have fully observed such laws and obtained all such governmental and other guarantees and other consents, in each case, which may be required thereunder, and complied with all necessary formalities to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in the Placement Document), and will honor such obligations;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the BRLM may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLM has advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

- Neither our Company nor the BRLM are making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and participation in the Issue is on the basis that you are not, and will not, up to the allotment of the Equity Shares, be a client of the BRLM. The BRLM does not have duties or responsibilities to you for providing the protection afforded to its clients or customers or for providing advice in relation to the Issue and is not in any way acting in any fiduciary capacity;

- You understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;

- You have made, or been deemed to have made, as applicable, the representations set forth under "*Transfer Restrictions*";

- You have been provided a serially numbered copy of each of the Placement Document and this Placement Document, and have read them in their entirety, including in particular, the "*Risk Factors*";

- In making your investment decision, you have (i) relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of our Company, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, the effects of local laws, (iv) relied solely on the information contained in the Placement Document and no other disclosure or representation by our Company or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares, and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

- You have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any managed accounts for which you are subscribing for the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company and/or the BRLM or any affiliates, directors, officers or employees thereof, for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any of the Equity Shares;

- The BRLM has not provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including, the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the BRLM when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive and agree not to assert any claim against the BRLM with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- Where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and make the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;

- You are not a Promoter (as defined in the SEBI Regulations), or are not a person related to the Promoters, either directly or indirectly and your Bid (hereinafter defined) does not directly or indirectly represent any Promoter or Promoter Group (as defined in the SEBI Regulations) of our Company or persons or entities related thereto;

- You have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company, ("**Board**"), other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares;

- You have no right to withdraw your bid after submitting your bid;

- You are eligible to bid for and hold Equity Shares so allotted and together with any Equity Shares held by you prior to the Issue.

- You are eligible to apply and hold Equity Shares so allotted together with any Equity Shares held by you prior to the Issue. You confirm that your aggregate holding after the allotment of the Equity Shares shall not exceed the level permissible as per any applicable regulation;

- The bid made by you would not result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "**Takeover Code**");

- To the best of your knowledge and belief, your aggregate holding, together with other QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the allotment under the Issue shall not exceed 50% of the Issue. For the purposes of this representation:

  a. The expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act.

  b. 'Control' shall have the same meaning as is assigned to it by Clause (c) of Regulation 2 of the Takeover Code.

- You shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;

- you are aware that in-principal approvals under clause 24(a) of the Listing Agreement have been received from the Stock Exchanges for listing of the Equity Shares. Further applications shall be made for seeking the approval for listing of and trading of the Equity Shares on the Stock Exchanges upon having made allotment of Equity Shares in the Issue and there can be no assurance that such final approval will be obtained on time or at all;

- you are aware and understand that the BRLM has entered into a placement agreement with our Company ("Placement Agreement") whereby the BRLM has, subject to the satisfaction of certain conditions set out therein, undertaken to use their reasonable endeavors as agents of our Company to seek to procure purchasers for the Equity Shares;

- The contents of this Placement Document are exclusively the responsibility of our Company and that neither the BRLM, nor any person acting on its behalf, has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting participation in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the BRLM or our Company or any other person and neither the BRLM nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

- The only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares, and you have neither received nor relied on any other information given or representations, warranties, statements or opinions made by any of the BRLM or our Company or any of their respective affiliates and the BRLM and its respective affiliates will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty, statement or opinion;

- All statements other than statements of historical fact included in the Placement Document, including those regarding our Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company's business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on
- numerous assumptions regarding our Company's present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of the Placement Document. Our Company assumes no responsibility to update any of the forward-looking statements contained in the Placement Document;

- The Equity Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the existing Equity Shares of the Issuer including the right to receive all dividends and other distributions declared, made or paid in respect of such Equity Shares after the date of issue of the Equity Shares;

- You are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other court, tribunal or regulatory authority, from buying, selling or dealing in securities;

- You agree to indemnify and hold our Company and the BRLM harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;

- Our Company, the BRLM, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the BRLM on their own behalf and on behalf of our Company, and are irrevocable; and

- The BRLM has no obligation to purchase or acquire all or any of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise;

- You are a sophisticated investor seeking to purchase the Equity Shares for your own investment and not with a view to distribution; In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

- If you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of allotment (hereinafter defined), sell the Equity Shares so acquired otherwise than on the floor of the Stock Exchanges;

- any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Kolkata, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Placement Document; and

- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the allotment of the Equity Shares in the Issue.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ('RSA 421-B') WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

OFFSHORE DERIVATIVE INSTRUMENTS (P – NOTES)

Foreign Institutional Investors as defined under the SEBI Regulations / Guidelines or their sub-accounts (together referred to as " **FIIs**"), were permitted under Regulations 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, to issue, deal in or hold, off shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Shares allocated in the Issue (all such off shore derivative instruments referred to herein as " **P-Notes**"), for which they may receive compensation from the purchasers of such instruments. The SEBI *vide* Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations, 2008, as further amended by the Securities and Exchange Board of India (Foreign Institutional Investors) (Second Amendment) Regulations, 2008 ("**Amendment Regulations**") has stated that no FII shall issue any offshore derivative instruments to any person other than a person regulated by an appropriate foreign regulatory authority, that they should be issued after compliance with 'know your client' norms and the FIIs are required to cancel, redeem or close out such offshore derivative instruments so issued to a person other than a person regulated by an appropriate foreign regulatory authority, before March 31, 2009. FII's are also required to ensure that no further issue or transfer is made of any P-Notes issued by or on behalf of it to any person other than a person regulated by an appropriate foreign regulatory authority. Further, no sub-account shall, directly or indirectly, issue offshore derivative instruments: and the offshore derivative instruments issued directly or indirectly by a sub-account, before the commencement of the Amendment Regulations and outstanding as at such commencement shall be cancelled or redeemed or closed out before March 31, 2009. FII's are also required information regarding such P-Notes in such format and at such intervals as is prescribed by SEBI from time to time.

P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain nor will it contain any information concerning P-Notes or the issuer(s) of any P-Notes, including without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claim on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company and its affiliates do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the BRLM and do not constitute any obligations of, or claims on, the BRLM.

Prospective Investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective Investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document and the Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document and Placement Document;

2. warrant that our Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document or the Placement Document has been cleared or approved by Stock Exchanges. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIALS AND OTHER INFORMATION

The financial statements included in this Placement Document are prepared in accordance with Indian GAAP. Any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off. Indian GAAP differs significantly in certain respects from IFRS and U.S. GAAP. We do not provide a reconciliation of any financial statements to IFRS or U.S. GAAP financial statements or a summary of the principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business.

In this Placement Document, unless otherwise indicated or the context otherwise requires, all references to "Phillips Carbon Black Limited", "PCBL", the "Company", "we", "our", " us", or similar terms are to "Phillips Carbon Black Limited" and all references to "you" are to the prospective Investors in the Equity Shares. References in this Placement Document to "India" are to the Republic of India and the "Government" are to the Governments of India, central, state or local level, as applicable.

Unless stated otherwise, the financial data in this Placement Document is derived from our financial statements prepared in accordance with Indian GAAP. Our Fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular Fiscal year are to the twelve-month period ended on March 31 of that year.

All references to "Rupees", "RS", "Rs" or Rupees are to the official currency of the Republic of India. All reference to "US$", "USD", United States Dollars are to the official currency of United States of America

For additional definitions, please refer to the chapter titled '*Glossary of Terms /Abbreviation'* of this Placement Document.

Market and industry data used in this Placement Document have been obtained from publications available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the industry data used in this Placement Document is reliable, it has not been independently verified.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled from government websites, by professional organizations and analysts, data from other external sources and our knowledge of markets in which we compete. The statistical information included in this Placement Document has been reproduced from various trade, industry and government publications and websites. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we rely on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Book Running Lead Manager have independently verified this data and neither we nor the Book Running Lead Manager make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Book Running Lead Manager can assure potential Investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

This Placement Document, as well as the information included in oral statements or other written statements made, or to be made, by us, contain, or will contain, disclosures which are 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate","believe","except","estimate","intend","plan","project","shall","will","objective", "continue", "will", " pursue", "could", " may", " should", "would", or phrases of similar import similarly other words statements that describe our strategies, objectives, plans or goals are also forward-looking statements. These statements include, among other things, statements about our business strategy, market position, future operations, income and revenue, profitability, liquidity and capital resources. These forward-looking statements are based on our current plans and expectations, speak only as of the date of this Placement Document and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations and our future financial condition and results. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and are not historical facts and therefore, involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or other forward-looking statements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. These factors include, but are not limited to:

- our ability to source raw materials;
- fluctuations in crude oil prices;
- increase in energy costs;
- changes in technology;
- slowdown in automotive industry;
- general economic and political changes and changes in laws and regulations that apply to the Indian or global industry or environmental regulations;
- our ability to successfully implement our strategy, our growth and expansion plans; and
  the other risk factors discussed in this Placement Document, including those set forth in the section entitled ' Risk Factors' of this Placement Document.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under ' *Industry Overview'* , ' *Business Overview' and* ' *Management's Discussion and Analysis of Financial Condition and Results of Operations'* of this Placement Document.

The forward-looking statements contained in this Placement Document are based on the beliefs of our management, as well as the assumptions made by and information currently available to our management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure Investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materializes, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially and substantially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability company incorporated under the laws of India. All or substantially all of our Company's Directors and senior management are residents of India and all or substantially all of its assets and the assets of our Company's Directors and senior management are located in India. As a result, it may not be possible for Investors to effect service of process upon our Company or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India (the "Civil Code") on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; and
- where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties. The United Kingdom, Singapore and Hong Kong have been declared by the GOI to be reciprocating territories for the purposes of Section 44A.

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction ; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India.

A judgment of a court of a country, that is not a reciprocating territory, may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment. In addition, any judgment in a foreign currency would be converted into Indian Rupees on the date of the judgment and not on the date of payment. Our Company cannot predict whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

In addition, all or substantially all of our assets are located in India. Majority of our directors and officers are residents of India, and all or a substantial portion of their assets are or may be located in India. As a result, it may difficult for you to effect service of process upon such persons, or to enforce against their judgments obtained in courts or arbitral tribunals outside India predicated upon the laws of jurisdictions other than India, including the civil liability provisions of the United States federal or state securities laws.

GLOSSARY OF TERMS /ABBREVIATIONS

The following list of defined terms is intended for the convenience of the Investors and is not exhaustive. Unless the context otherwise requires or otherwise specified, the following words / phrases / abbreviations shall have the following meaning in this Placement Document:

Company related terms	
Term	*Description*
Articles/Articles of Association/AOA	Company's Articles of Association
Board/Board of Directors	Company's Board of Directors or a Committee of Directors
Committee	Committee of Board of Directors
Directors	Directors on the Board of our Company unless otherwise specified
PCBL,/The company, Company, we, us, our	Phillips Carbon Black Limited
Memorandum/Memorandum of Association/MOA	The Memorandum of Association of the Company
Promoter/Promoter Group	Adorn Investments Ltd., CHI Investments Ltd., Universal Industrial Fund Ltd., Off Shore India Ltd, Hilltop Holdings India Ltd., Instant Holdings Ltd., Trade Apartments Ltd., Harrison Malayalam Financial Services Ltd., Spencer & Company Ltd., Adapt Investments Ltd., Organised Investments Ltd., Saregama India Ltd., Jubilee Investments & Industries Ltd., KEC Holdings Ltd.
Issue related terms	
Act/Companies act, The Act	The Companies Act, 1956 together with all amendments and modifications from time to time
Allocation/Allotted	The determination of QIB's and the number of equity shares to be allotted to each of the QIBs for the purpose of payment of bid monies and subsequent allotment at the discretion of the company in consultation with book running manager and in compliance with chapter VIII of SEBI Regulations.
Allotment/ Allotted	Unless otherwise specified, the allotment of equity shares to the successful Investors pursuant to the issue
Auditors	Price Waterhouse, Chartered Accountants
Bid	An indication of QIBs' interest including all revisions and modifications of interest as provided in the bid cum application form to subscribe to the Company's equity shares pursuant to the issue
Bid opening date	Friday, April 23, 2010
Bid closing date	Wednesday, April 28, 2010
Bid cum application form	The form sent to selected QIB's in terms of which the QIB to whom the bid cum application form is sent can bid for the equity shares in the issue. Any QIB which has bid for equity shares may revise the same as per terms contained in the said bid cum application form
Bid period /issue period	The period between the bid opening date and bid closing date inclusive of both the dates during which QIB shall submit their bid/s
Bidder	Any QIB to whom a bid cum application form is sent in physical or in electronic form and who has bid for equity shares in the bid cum application form
Book Running Lead Manager	VC Corporate Advisors Private Limited
Chapter VIII	Chapter VIII of SEBI Regulations, 2009 sets out the norms for qualified Institutional placement by an Indian listed company
Confirmation of allocation note – CAN	Note or advise or intimation to QIBs not more than 49 QIBs confirming the Allocation of Equity Shares to such after the discovery of the offer price
Cut off price	The offer price which shall be finalised by the company in consultation with

	the Book Running Lead Manager i.e., Rs. 200/-
Depositaries Act	The Depositories Act, 1996, as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Equity Shares	Our Equity Shares of face value of Rs. 10 each, unless specified otherwise in the context thereof.
Equity Shareholders	Persons holding Equity Shares of our Company, unless otherwise specified in the context thereof
Escrow Account	The Account opened with the ICICI Bank Ltd. in pursuant to the Escrow Agreement
Escrow Agreement	The agreement entered into between our Company, the BRLM and ICICI Bank Ltd. to open and operate the Escrow Account in relation to the monies
Financial Year / Fiscal/ FY	The twelve months starting 1st April of a particular year and ending March 31st of subsequent year.
Floor Price	The Floor Price for the Issue on the basis of Chapter VIII of the SEBI Regulations, 2009 is Rs.200/- per Equity Share.
Investor/s	Any prospective investor who makes a Bid pursuant to the terms of the Placement Document and the Bid cum Application Form.
Issue	Issue of 49,64,376 Equity Shares of Rs.10/- each to QIBs by our Company at a price of Rs. 200/- including a premium of Rs. 190/-per Equity Share, pursuant to Chapter VIII of SEBI Regulations, 2009.
Issue / Offer Price	A price per Equity Share is Rs. 200/- (including a premium of Rs. 190/-)
Issue size	The Issue of 49,64,376 Equity Shares for a sum of Rs.9928.75 lakhs
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Placement document	The placement document dated May 3, 2010 issued in accordance with Chapter VIII of the SEBI Regulations, 2009, filed with the Stock Exchanges after the Issue and subsequently filed with SEBI within thirty days of the Allotment of the Equity Shares for record purposes only
Preliminary Placement Document	The Preliminary Placement Document dated April 21, 2010, issued in accordance with Chapter VIII of the SEBI Regulations, 2009 and placed on our website and the website of the Stock Exchanges
Qualified Institutional Buyers / QIBs	A Qualified Institutional Buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations.
Registered office	Registered Office of the Company at 31, Netaji Subhas Road, Kolkata-700001,State of West Bengal, India
Registrar of Companies / ROC	Registrar of Companies, West Bengal located at Kolkata
Regulation S	Regulation S under the U.S Securities Act.
Relevant Date	Relevant date for QIP – April 21, 2010 (i.e. the date on which the Committee of Directors of the Board decided to open the issue)
Rule 144 A	Rule 144A of the Securities Act
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended
Securities Act / U.S. Securities Act	The United States Securities Act of 1933, as amended
Stock Exchanges	Bombay Stock Exchange Limited, National Stock Exchange of India Limited

	and The Calcutta Stock Exchange Limited
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
U.S. Securities Act	U.S. Securities Act, 1933 as amended
Other defined terms	
Civil Code	The Code of Civil Procedure, 1908.
Crore	Ten million or hundred lakhs
Indian GAAP	The generally accepted accounting principles in India based on Accounting Standards, Guidance Notes and other principles laid down by the ICAI
Lakh / Lacs	100,000 i.e. one-tenth of a million.
One million.	1,000,000 i.e. Ten Lacs

Abbreviations	Full form
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	The Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CSE	The Calcutta Stock Exchange Limited
DP	Depository participant
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the rules and regulations framed there under.
FI	Financial Institution
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
GAAP	Generally Accepted Accounting Principles
GOI/Goi	Government of India
IAS	International Accounting Standards
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
I.T. Act	The Income Tax Act, 1961, as amended from time to time
MF	Mutual Funds
NRI	Non-Resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCBs	Overseas Corporate Bodies
P/E	Price/Earnings Ratio
PAN	Permanent Account Number.
PAT	Profit After Tax
RBI	The Reserve Bank of India.
STT	Securities Transaction Tax
US / USA	United States of America
VAT	Value Added Tax
YOY	Year on year

GLOSSARY OF TECHNICAL TERMS

Term	Description
CBFS	Carbon Black Feed Stock
CPP	Co-generation Power Plant
MTPA	Metric Ton Per Annum
MW	Mega Watt
Kcal	Kilo calorie
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
OEMs	Original Equipment Manufacturers

DETAILS OF COMPANY SECRETARY, BOOK RUNNING LEAD MANAGER, AND OTHER ADVISORS

COMPANY SECRETARY

MR. KAUSHIK MUKHERJEE

31, N. S. Road,
Kolkata-700 001
Tel : (033) 2242 0839
Fax : (033) 2248 0140
E-mail : kaushikm@pcblltd.com

BOOK RUNNING LEAD MANAGER

VC CORPORATE ADVISORS PVT. LTD.

SEBI REGN. NO. INM000011096
31, Ganesh Chandra Avenue,
2nd Floor, Suite No. 2C,
Kolkata – 700 013
Tel : (033) 2225 3940/3941/4116
Fax:(033) 2225 3941
Web Site: www.vccorporate.com
E-mail: - mail@vccorporate.com
Contact Person: Mr. Anup Kumar Sharma

ADVISOR TO THE COMPANY

SMIFS CAPITAL MARKETS LIMITED
4, Lee Road, 4th floor,
Kolkata – 700 020
Tel: +91-33-2290 7400/01/02
Fax: +91 2287 4042
Email ID: smifscl@vsnl.net

AUDITORS
PRICE WATERHOUSE
Chartered Accountants
Plot no. Y- 14, EP Block, Salt Lake Electronic Complex,
Bidhan Nagar, Kolkata – 700 091
Tel : (033) 2357 9260
Fax : (033) 2357 7496

<table>
<tr><td colspan="2">LEGAL ADVISORS TO PHILLIPS CARBON BLACK LIMITED ON INDIAN LAW</td></tr>
<tr><td colspan="2">KHAITAN & CO.</td></tr>
<tr><td>Emerald House,
1B, Old Post Office Street,
Kolkata-700 001
Ph: 033 2248 7000
Fax: 033 2248 7656</td><td>One India Bulls Centre
13th Floor, 841, S. B. Marg,
Elphinstone Road,
Mumbai – 400 013
Ph: 022 6636 5000
Fax: 022 6636 5050</td></tr>
</table>

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue:

Issuer	Phillips Carbon Black Limited
Issue Size	49,64,376 Equity Shares of the Company of Rs.10 each for a sum of Rs.9928.75 lakhs
Offer price	Rs. 200/- (including a premium of Rs.190/-) per Equity Share
Eligible Investors	Qualified Institutional Buyers
Equity Shares issued and outstanding immediately prior to and after the Issue	2,82,53,196 Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, 3,32,17,572 Equity Shares will be issued and outstanding.
Floor Price	The Floor Price is Rs. 200/- per Equity Share for the Issue on the basis of Chapter VIII of the SEBI Regulations
Issue Procedure	The Issue is being made only to QIBs in reliance on Chapter VIII of the SEBI Regulations. See "Issue Procedure".
Listing	Our Company has received in-principle approvals from BSE on April 19th 2010 and from NSE and CSE on April 20th 2010 respectively under Clause 24(a) of the Listing Agreement for the listing of the Equity Shares on the Stock Exchanges.
Transferability Restrictions	The Equity Shares being allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India. Please refer to the section titled "Distribution and Solicitation Restrictions" and "Transfer Restrictions" relating to the sale of the Equity Shares"
Ranking	The Equity Shares being issued shall be subject to the provisions of company's Memorandum and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared after the date of Allotment, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings.
Lock Up	Our Company has agreed with the Book Running Lead Manager, that it shall not, and shall not announce an intention to, without the prior written consent of the Book Running Lead Manager during the period commencing on the date of the Placement Agreement and ending 45 days after the date of Allotment of the Equity Shares pursuant to the Issue, directly or indirectly: a. issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares; b. enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; c. deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility; or d. announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to (i) the Issue Shares; (ii) any Equity Shares to be issued upon the

	exercise of an option under any employee stock option plans or schemes existing on the date hereof and as described in the Preliminary Placement Documents and (iii) issue of warrants and Equity Shares pursuant to the approval of the Shareholders who have by way of postal ballot on April16, 2010, approved the Preferential Issue of upto 12,50,000 warrants convertible into equal number Equity Shares at a floor price of Rs. 196/- calculated in accordance with Chapter – VII of the SEBI Regulations for a sum of not exceeding Rs. 2450 lakhs to the Promoter / Promoter Group of our Company. The Promoters and Promoter Group of our Company have agreed with the Book Running Lead Manager, that without the prior written consent of the Book Running Lead Manager, each of them will not, and will not announce any intention to, during the period commencing on the date of the Placement Agreement and ending 45 days after the date of Allotment of the Equity Shares pursuant to the Issue, directly or indirectly, issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares or enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, provided that the restrictions contained above would not apply to any sale, transfer or disposition of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares to the extent required under applicable law or regulation, or arising out of the enforcement of any pledges of Equity Shares held by the Promoters and Promoter Group of our Company existing as on the date of the Placement Agreement or which may be required in connection with pledges created in the future, in connection with any borrowings of our Company provided that the Promoters and Promoters Group of our Company may transfer Shares and other securities amongst the members of the Promoters and Promoter Group of our Company who have been classified as Promoter Group as per filing made under Clause 35 of the Listing Agreement to the Stock Exchanges or newly inducted as constituents of Promoter Group by Our Company.
Use of Proceeds	The total proceeds of the Issue is Rs. 9928.75 lacs. To accelerate further growth, fund various expansion plans, long term working capital requirements, normal business operations, to repay the debts, to finance investment opportunities and for any other uses that may be permissible under applicable laws. For further details, please refer to the Chapter titled "Use of Proceeds" of this Placement Document.
Risk Factors	Prior to making an investment decision in this Issue, see "Risk Factors".
Security Codes:	
ISIN	INE 602A01015
BSE Code	506590
NSE Code	PHILIPCARB
CSE	26125
Code BLOOMBERG	PHCB IN
REUTERS	PHIL.BO

Summary of Business

Overview

Phillips Carbon Black Limited ("PCBL" or "our Company"), part of the RPG Group of Companies, was one of the pioneers of the carbon black industry in India.

Our Company, incorporated in 1960, started production from December 1962 using the oil furnace technology, the most widely accepted manufacturing process of carbon black patented by its then collaborator and world carbon black leader, Phillips Petroleum Company, USA. The collaboration with Phillips Petroleum Company ended in 1978 and our Company has since made considerable progress by virtue of continued efforts of technologists, engineers and sustained R&D activities.

In 1988 our Company entered into a technical agreement with Columbian Chemicals Company, USA, and acquired access to the modern state-of-the-art Carbon Black technology. This helped our Company in gaining flexibility, better product range, production capacity and energy conservation. The technical agreement ended in 1998.

Presently our Company has installed capacity of producing 3,60,000 Metric Tonnes Per Annum (MTPA) of Carbon Black along with green power capacity of 60.50 Mega Watt (MW).

Our Company has manufacturing facilities at 4 locations i.e., Durgapur in West Bengal, Palej and Mundra in Gujarat and Kochi in Kerala and a well-organized distribution network covering supplies to all tyre manufacturing units, tyre re-treading units and other consumers all over the country. Our Company is expanding carbon black capacity to take advantage of the growing demand and is setting up co-generation power plants to de-risk business model and bolster operating margins.

Our Company had taken advantage of the Electricity Act introduced in 2003 to set–up a 12 MW co-generation power plant (CPP) at its Palej plant during FY 2005 using the off gas emitted from its carbon black plant ("**Off Gas**").

Encouraged by the success of the Palej CPP, our Company has set up a 30 MW CPP at its Durgapur plant which commenced commercial operations from 1st April 2009. Our Company also has a 2.5 MW CPP at its plant located at Kochi, Kerala.

Our company has further completed its Greenfield project located in Mundra (Gujarat), with a carbon black capacity of 90,000 MT which has started operations from 17th October 2009 and our Company has also put up a CPP of 16 MW in Mundra which has commenced commercial operation from 24th December 2009.

To meet the growing demand of carbon black, both in the domestic and international markets, our Company has planned to further expand its carbon black capacity by 50,000 MT at Mundra. As a result, our Company's installed capacity for Carbon Black will reach to 4,10,000 MT.

Our Company has also planned to set up CPPs (using off gas) aggregating 16 MW i.e., 10 MW at Kochi and 6 MW at Mundra, and to decommission the existing 2.5 MW CPP at Kochi, Kerala. After completion of these expansions, our Company's green power generation capacity will reach 74 MW.

With the object to carve a niche in Overseas Markets our Company had also entered into a joint venture agreement with three subsidiary companies of Vinachem on 9th May 2008 for setting up a 1,15,000 MT carbon black facility and a 16MW power unit in phases in Vietnam in which our Company shall hold 80% stake through a special purpose vehicle and the three subsidiary companies of Vinachem would pick up 20% stake.

RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider all of the information in the Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

The Placement Document also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in the Placement Document. Prospective Investors should pay particular attention to the fact that we are an Indian company and are subject to a legal and regulatory environment which may differ in certain respects from that of other countries.

The risks described below are not the only ones relevant to our Company. Additional risks not presently known to our Company or that it currently deems immaterial, may adversely affect the Company's business, financial condition or results of operations. Prospective Investors should pay particular attention to the fact that our Company is an Indian company and is subject to legal and regulatory environment that may differ in certain respects from that of other countries. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned herein under:

RISKS RELATING TO OUR COMPANY

1. ***As part of our growth strategy, we are making significant investments to expand production capacity in India and abroad and if we are unable to implement these projects in a timely manner, our business and results of operations could be adversely affected.***

As part of our growth strategy, we plan to move up the Carbon Black value chain by expanding into new, complementary businesses and expanding our existing production capacity. A key focus of this strategy involves making substantial investments in the manufacturing capabilities of our Company. This expansion is being effected through organic growth and selective joint ventures, such as our joint venture with Vinachem for establishing a manufacturing facility for a 1,15,000 MT carbon black facility and a 16MW power unit in Vietnam in which our Company proposes to hold 80% stake through a special purpose vehicle and the three subsidiary companies of Vinachem would pick up 20% stake. Our growth strategy therefore subjects us to the risks inherent in the development of new business enterprises, including the need to:

- commercialize and develop a market for our products and services;
- develop or obtain the necessary know-how to manufacture new products;
- maximize capacity utilization;
- expand our international distribution network;
- obtain required domestic and international regulatory approvals on a timely basis;
- complete projects on a timely basis;
- obtain significant capital to support our growth strategy;
- attract and retain qualified technical staff.

Our operations may also be affected by problems frequently encountered with the use of new technologies and by the competitive and regulatory environment in which we operate. There can be no assurance that we will be able to complete our plans on schedule or within budget. If market conditions change, if operations do not generate sufficient funds or for any other reasons, we may decide to delay, modify or forego some aspects of our growth strategies. Our future results of operations may be adversely affected if we are unable to implement our growth strategies.

2. ***Our Company relies on certain major suppliers.***

Our Company has to import more than 90% of the basic raw material i.e., carbon black feedstock (CBFS) required for its production process for which it relies on very few vendors to supply the basic raw material. Our Company has not entered into any long term supply contracts with the vendors of the basic raw materials. The ability to obtain quality raw material at competitive prices in a timely manner is crucial to our Company's production.

Our Company imports more than 90% of the total CBFS from a single vendor and there are also very few vendors of CBFS around the globe.

If our Company is unable to maintain business relationships with its major suppliers or if our suppliers are unable or unwilling to continue to supply raw materials to us, or the quality of their supplies deteriorate or their prices increase substantially, our Company will have to locate alternative sources of supply which may not be available in required quantity or at reasonable price and this may affect our Company's future performance and results of operations.

3. ***Fluctuations in crude oil prices may adversely affect our revenues and profits and we may not be able to increase the prices of our product in order to pass our increased costs along to our customers or may have to absorb inventory loss/ write down on the stocks if the crude oil price drops suddenly.***

Crude is the source of CBFS i.e., the basic raw material required for the production process of our Company. Fluctuations in crude oil prices may adversely affect our revenues and profits, and substantial or extended increment in international prices for crude oil will have a material adverse effect on our financial condition, including our liquidity and our ability to finance planned capital expenditure, and our results of operation. Historically, international prices for oil have been volatile and have fluctuated widely in response to changes in many factors. For example, after a period of a sustained and substantial increase in the price of crude oil that reached record levels in July 2008, the price of crude oil declined significantly during October-December 2008 and has been increasing since then. Such fluctuations may in turn result in fluctuations in our results of operations. We do not and will not have control over the factors affecting prices for oil. A few of these factors include:

- global and domestic economic conditions;
- global and regional economic and political developments in resource-producing regions, particularly the Middle East;
- global and regional supply and demand;
- the ability of the Organization of Petroleum Exporting Countries and other oil and gas producing nations to set and maintain global production levels and prices;
- discoveries of, and commercial availability of, alternative fuels at cheaper prices that affect our realized prices under our oil and value-added products sales contracts;
- Indian and foreign governmental regulations and actions, fiscal or otherwise, including tariffs on imports and sharing of subsidies;
- price and availability of new technology; and
- environmental conditions.

It is not possible to forecast future oil product price movements with accuracy and we may not be able to pass these added costs to our customers by increasing the prices of our products which could affect our profits.

4. ***Our Company competes against cheap imports mainly from China, Russia, Australia and Thailand and to an extent relies on tariffs to help it compete against such imports.***

Our Company competes against less expensive imports predominantly originating from China, Russia, Australia and Thailand. The price gap between imported carbon black and domestic carbon black prices had increased significantly which has resulted in sharp increase in import of carbon black by various tyre companies. Total imports in the quarter ended 31.12.2009 was to the tune of 16,000 tonnes. Our Company has to address this gap particularly for tyre segment which can put pressure on margins of our Company.

The Antidumping duty (ranged from $0.084 per kg to $0.423 per kg) has been imposed on import of carbon black from China, Russia, Thailand and Australia. This has been levied for a period of 5 years from July 30, 2009. This will only be applicable on carbon black used in rubber application. It will increase the cost of imported carbon black and thus safeguard the domestic carbon black industry. However there can be no assurance that these tariffs will continue in the future. If the tariffs are removed and our Company is unable to effectively compete with relatively less expensive imports, our Company's performance could be adversely affected.

5. ***The loss of or shutdown of operations at our Company's manufacturing facilities will have a material adverse effect on our business, financial condition and results of operations.***

Our Company's facilities are subject to operating risks, such as the breakdown or failure of equipment, or processes, performance below expected levels of output or efficiency, obsolescence, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect its operating results.

6. ***Our business is dependent on the revenue stream from surplus power from CPPs. If the prevailing rate for surplus electricity for merchant power or bilateral power is low or the production of Carbon Black is low which will affect the availibity of Off Gas, then the Company's operational profit can be adversely affected.***

7. ***Changes in technology may render the current technologies obsolete or require us to make substantial capital investments.***

The business of our Company is largely dependent on the technology adopted by it. The manufacturing process in the Carbon Black industry is prone to technological and process changes/ upgrades, which may render our current processes obsolete. In order to compete successfully with our competitors, our Company may be required to invest substantial sums to adopt newer technologies and processes, which may have an adverse impact on the business and profitability of our Company.

8. ***There are no long-term contracts with buyers and changes in the buying pattern may affect the profitability of our Company.***

Our Company does not have any long-term contracts with its clients and any change in the buying pattern of buyers can adversely affect the business of our Company. Although we have satisfactory business relations with our customers and have received continued business from them in the past because of our emphasis on quality, timely shipment of goods, after sales service and aggressive marketing, there is no certainty that the same will continue in the years to come and may affect our profitability.

9. ***Any accident at our Company's facilities could lead to property damage, production loss and accident claims.***

Any accident at our Company's manufacturing facilities could result in damages. Our Company could suffer a decline in production, receive adverse publicity and could be forced to invest additional resources in addressing such damages, both in terms of time and money. Although the accidents at our Company's facilities have been historically, few in number, there can be no assurance that there will not be any work related or other accidents in the future. Furthermore, while issues arising from previous accidents, such as compensation and liability, have been amicably settled without any adverse impact on production or damage to our Company's facilities, there can be no guarantee that such settlements will take place at all times in the future in an amicable manner or that accidents may not result in litigation and regulatory action against our Company. Any such accident and subsequent issues arising from the accidents, such as compensation and liability, could have an adverse effect our business and results of operation.

10. ***Our Company requires certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.***

Our operations require numerous approvals, licenses, registrations and permissions under various laws and regulations to operate our business, including environmental and health and safety laws and regulations. Such approvals may be subject to fulfillment of certain conditions and subject to revocation, renewal or modification and can require operational changes, which may involve significant costs or delays. Failure to obtain any material approval or renewal thereof or a violation of the conditions of approval or of other legal or regulatory requirements could result in substantial fines, sanctions, permit revocations, injunctions and/or plant shutdowns may affect the business of our Company and the Directors and Officers may be subjected to civil or criminal proceedings.

11. ***Our Company's insurance coverage may not adequately protect it against certain operational risks to or claims by the employees, and it may be subject to losses that might not be covered in whole or in part by existing insurance coverage.***

Our Company maintains insurance for a variety of risks, including, among others, for risks relating to fire, burglary and certain other losses and damages.

There are various other types of risks and losses for which we are not insured, such as loss of business, environmental liabilities and natural disasters, because they are either uninsurable or not insurable on commercially acceptable terms. Should an uninsured loss or a loss in excess of insured limits occur, we could incur liabilities, lose capital invested in that property or lose the anticipated future income derived from that business or property, while remaining under obligations for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect on our financial conditions and prospects.

12. ***Our Company may be subject to labour unrest, slowdowns and increased wage costs.***

Currently our Company considers its labour relations to be good, however there can be no assurance that it will not experience future disruptions to its operations due to disputes or other problems with its employees, which may adversely affect its business and results of operations.

13. ***Any slowdown in the rate of growth of Automotive industry or slowdown in the economy could affect our growth prospects and which in turn may affect profits.***

Automotive industry growth is linked to the economic growth/interest rate and any deceleration in economic growth/increase in interest rate will affect the growth of the automobile industry. Sales to OEMs are driven in large part by new vehicle manufacturing rates, which are primarily determined by consumer demand for new vehicles. Any slowdown in the sale of two-wheeler and four-wheeler vehicles due to overall economic conditions, changes in consumer preferences or other factors would likely result in a decrease in our Company's net sales and adversely affect its operating results.

14. ***Compliance with and changes in, safety, health and environmental laws and regulations may adversely affect our results of operations and our financial condition.***

Our Company is subject to a broad range of safety, health and environmental laws and regulations in our business operations. Our manufacturing facilities located in India are subject to Indian laws and government regulations on safety, health and environmental protection. These laws and regulations impose controls on our air and water discharges, noise levels, storage handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations and products. We have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, we have made and expect to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations.

The discharge of our raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause us to be liable to the Government of India or the State Governments where our manufacturing facilities are located, or to third parties. In addition, we may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Safety, health and environmental laws and regulations in India, in particular, have been increasing in stringency and it is possible that they will become more stringent in the future. Our business is exposed to many environmental obligations which are onerous in nature. The industry is considered a polluting industry across the globe. Any adverse change in policy with respect to the carbon black business, depending on the nature of such a policy change, may affect our business and profitability.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs of our sites and related litigation could adversely affect our business and profitability.

Our Company may face problems like personal injury, loss of life and damage to property, which may lead to suspension of operations.

15. ***The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution***

The objects for which the funds raised through the Issue will be deployed, as stated in the chapter “Use of Proceeds” in the Placement Document, has not been appraised by a bank or a financial institution. Deployment of Issue proceeds would be at the management’s discretion. Any unplanned major increase in the fund requirements or cost escalation may impact the financial performance of our Company.

16. ***If our Company is unable to attract and retain key employees, our operations could be adversely affected.***

Our business substantially depends on the continued service of our key managerial personnel. The loss of the services of our key managerial personnel could have a material adverse effect on us. We believe that there is a significant demand for personnel with skills required in our business area. Our future success will also depend on our ability to attract highly skilled personnel and senior management professionals. Our Company could experience difficulty from time to time in hiring the personnel necessary to support our current business and future growth. If our Company does not succeed in attracting new high quality employees, our reputation may be adversely impacted and our future earnings may be negatively impacted.

17. ***Depreciation of the Indian rupee against foreign currencies may have an adverse effect on our results of operations.***

Our Company has to import 90% of the raw material i.e., CBFS requirement whereas domestic sales accounts for over 75% of the total revenue which is denominated in Indian rupees. Depreciation of the Indian rupee against the U.S. dollar may increase the Indian rupee cost to us of servicing and repaying our foreign currency working capital borrowings and other payments, and any such increase may have an adverse effect on our financial condition and results of operation.

18. ***If we are unable to execute our expansion plans as expected, our results of operations will be adversely affected.***

Our Company's present carbon black capacity is 3,60,000 Metric Tonnes Per Annum (MTPA) along with green power capacity of 60.50 MW. Our Company has planned to expand its Carbon Black manufacturing capacity by an additional 50,000 MT at its plant located at Mundra (Gujarat) and to set up two co-generation green power plants aggregating 16 MW at its plants located at Kochi (10MW) and Mundra (6MW) respectively. Our projects have long gestation periods due to the process involved in commissioning.

The scheduled completion targets for our expansion projects are estimates and are subject to delays as a result of, among other things, contractor performance shortfalls, unforeseen engineering problems, dispute with workers, *force majeure* events, availability of financing, unanticipated cost increases or changes in scope and inability in obtaining certain property rights, fuel supply and government approvals, any of which could give rise to cost overruns or the termination of project's development. There can be no assurance that our projects will be completed in the time expected, or at all, or that their gestation period will not be affected by any or all of these factors. We cannot assure you that all potential liabilities that may arise from delays or shortfall in performance, will be covered or that the damages that may be claimed from such contractors shall be adequate to cover any loss of profits resulting from such delays, shortfalls or disruptions.

19. ***If we are unable to expand our production facilities to manufacture adequate quantities of our products, our business will suffer.***

To be successful, our products must be manufactured in sufficient quantities to meet demand, in compliance with regulatory requirements and at acceptable cost. The expansion of our production facilities may require additional funds and approval by regulatory agencies. We may not be able to expand our capacity on schedule, establish commercially viable manufacturing processes for increasing our capacity successfully to meet demand for our products.

We may encounter problems in relation to the following:

- production yields;
- quality control and assurance;
- shortages of qualified personnel;
- compliance with local and international legislations, rules and regulations;
- production and distribution costs; and

- failures or bottlenecks in production processes.

If we are unable to expand our R&D and production capacity on schedule or at all on account of any reason whatsoever, our business will suffer.

20. Our Company is dependent on third-party transportation providers for the supply of raw materials and the delivery of its products.

Our Company typically uses third-party transportation providers for the supply of most of its raw materials and for deliveries of its products to customers. Transportation strikes by members of various Indian truckers' unions as well as transportation standard quality issues, have had in the past, and could in the future, have an adverse effect on receipt of supplies and our Company's ability to deliver its products in a timely and cost effective manner. Increases in transportation costs may have an adverse effect on our Company's results of operations.

RISKS ASSOCIATED WITH FORWARD-LOOKING STATEMENTS, INFORMATION QUOTED FROM OFFICIAL GOVERNMENTAL PUBLICATION AND OTHER INFORMATION NOT CONTAINED IN THIS PLACEMENT DOCUMENT.

21. Prospective Investors in our Company's Equity Shares are cautioned not to place undue reliance on any forward-looking statements contained in this Placement Document.

This Placement Document contains certain forward-looking statements and information and uses forward looking terminology such as "anticipate", "believe", "expect", "may", "ought to", "should", "could" or "will". These statements cover, but are not limited to, the discussion of our Company's growth strategy and expectations concerning our Company's future operations, liquidity and capital resources. Prospective Investors are cautioned that reliance on any forward-looking statements involves risk and uncertainties and that, although our Company believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. In the light of these and other uncertainties, the inclusion of forward-looking statements in this Placement Document should not be regarded as representations by our Company plans or objectives will be achieved and prospective Investors should not place undue reliance on such forward-looking statements.

22. The industry information from official governmental publications contained in this Placement Document should not be unduly relied upon.

Certain information in the section "*Industry Overview*" in this Placement Document relating to the Carbon Black Industry and Power Industry is derived from official governmental publications and other research material. While our Company has taken all reasonable care to ensure that the information is accurately reproduced from such publications, such information has not been independently verified by our Company and may be inconsistent, inaccurate, incomplete or not updated. Neither our Company and Book Running Lead Manager nor their respective directors and advisers or any other parties involved in the Issue make any representation as to the accuracy or completeness of such information and, accordingly, such information should not be unduly relied upon.

23. Prospective Investors are cautioned not to place any reliance on any information not prepared or approved by our Company.

Prospective Investors are cautioned that our Company does not accept any responsibility for the accuracy or completeness of any reports or articles in the press or other media regarding our Company or the Issue including, in particular, any financial projections, valuations or other forward looking information, as such reports or articles have not been prepared or approved by our Company. Our Company makes no representations as to the appropriateness, accuracy, completeness or reliability of any information including any projections, valuations or other forward-looking information, or any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the media. To the extent that such statements, if any, are inconsistent with, or conflict with, the information contained in this Placement Document, our Company disclaims them. Accordingly, prospective Investors are cautioned not to place any reliance on any such information.

RISKS RELATING TO INVESTMENTS IN INDIA AND INDIAN COMPANIES.

24. If regional hostilities, terrorist attacks or social unrest in India and South Asia increase, our Company's business could be adversely affected and the trading price of the Equity Shares could decrease.

Terrorist attacks and other acts of violence or war including those involving India, the United States or other countries, may adversely affect the Indian and worldwide financial markets. On November 26, 2008, terrorists staged a coordinated attack on several prominent international hotels and various other locations in the financial center of Mumbai. Future acts of terrorism may result in a loss of business confidence and have other consequences that could adversely affect our Company's business, prospects, financial condition and results of operations. Increased volatility in the financial markets, including economic recession, can have an adverse impact on the economies of India and other countries.

In addition, South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. Present relations between India and Pakistan continue to be fragile because of issues such as terrorism, armament and other political and social matters.

Increased tensions and hostilities may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities, continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political and social tensions could create a perception that investments in Indian companies involve greater degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, our Company's business, its future financial performance and the trading price of the Equity Shares.

Further, India has also experienced social unrest, communal disturbances and riots in some parts of the country during recent times. If such tensions occur, it could have an adverse effect on our Company's business, future financial performance and the trading price of the Equity Shares.

25. Political instability and significant changes in Government policy could adversely affect economic conditions in India generally and our Company's business in particular.

Changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India may have an adverse effect on our Company's results of operations.

India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the Central and the State Governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand their existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Indian Central and State governments in the Indian economy as producers, consumers and regulators has remained significant. The current coalition-led Government has come into power in May 2009. There can be no assurance that its past liberalization policies or any political stability will continue in the future. Elimination or substantial change of such policies or the introduction of policies that negatively affect our Company's business could cause its results of operations to suffer. Any significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our Company's business in particular.

26. Our Company's business and activities are regulated by the Competition Act, 2002.

The Indian Parliament has enacted the Competition Act, 2002 (the **"Competition Act"**) for the purpose of preventing business practices having an adverse effect on competition under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Competition Act, any arrangement, understanding or action, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Competition Act and the Competition Commission of India will affect industries in India; any application of the Competition Act to our Company may be unfavorable and have a material effect on the its business and results of operation.

27. A slowdown in economic growth in India could cause our Company's business to suffer.

Our Company's performance and growth is necessarily dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over the last several years with real GDP growing at 6.6% in the Fiscal Year 2009, 9.0% in the Fiscal Year 2008 and 9.6% in the Fiscal Year 2007. However, the growth in industrial production in India has been variable. Any slowdown in the Indian economy could adversely affect our Company's business.

28. Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against our Company, its directors or executive officers.

A majority of our Company's directors and executive officers are residents of India and substantially all of its assets and the assets of its directors and executive officers are located in India. As a result, it may not be possible for Investors to:

- effect service of process upon our Company, its directors and executive officers in countries outside India, or
- enforce, in Indian courts, judgments obtained in foreign courts, against our Company or such persons or entities.

For more information on the enforcement of civil liabilities in India, see "*Enforcement of Civil Liabilities*".

29. There may be less company information available in Indian securities markets than in securities markets in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets, as well as the activities of Investors, brokers and other participants, and that of markets in the United States and other more developed economies. SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result Investors may have access to less information about our Company's business, results of operations and financial condition, and those of its competitors that are listed on the BSE, the NSE and other stock exchanges in India on an ongoing basis than Investors may have in the case of companies that are subject to reporting requirements of certain other countries.

30. The market value of an investment in the Equity Shares may fluctuate due to the volatility of the Indian securities markets.

Indian securities markets are more volatile than and not comparable to the securities markets in certain countries with more developed economies and capital markets than India. Indian stock exchanges have, in the past, experienced significant fluctuations in the prices of listed securities.

Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Any volatility in the Indian securities markets could have an adverse effect on the price of the Equity Shares.

31. Differences exist between Indian GAAP and other accounting principles such as IFRS. These differences may be material to Investors' assessments of our Company's financial condition.

Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP. Our Company's financial statements are prepared in accordance with Indian GAAP. Our Company has not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Placement Document, nor has our Company provided a reconciliation of its financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Indian GAAP. Our Company has made no attempt to quantify the effect of any of those differences. Accordingly, the degree to which the financial information included in this Placement Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. In making an investment decision, Investors must rely upon their own examination of our Company, the terms of this Issue and the financial information contained in this Placement Document.

32. Our Company's failure to successfully adopt IFRS effective from April 2013 could have a material adverse effect on the price of its Equity Shares.

ICAI, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with the IFRS pursuant to which all public companies in India will be required to prepare their annual and interim financial statements under IFRS. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw on forming judgments regarding its implementation and application, our Company has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. There can be no assurance that our Company's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. As our Company make its transition to IFRS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our Company's adoption of IFRS will not adversely affect its reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2013 could have a material adverse effect on the price of the Equity Shares.

33. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our Company's business.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our Company's ability to raise additional debt financing and the interest rates and other commercial terms at which such additional debt financing is available. This could have an adverse effect on our Company's financial performance and its ability to obtain financing to fund its growth on favorable terms or at all.

34. Financial instability in other countries, particularly emerging market countries, could disrupt our Company's business and affect the price of the Equity Shares.

Although economic conditions are different in each country, Investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any financial disruption could have an adverse effect on our Company's business, future financial performance, shareholders' equity and the price of the Equity Shares.

35. A third party could be prevented from acquiring control over our Company because of the takeover regulations under Indian law.

Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. These provisions may discourage or prevent a third party from attempting to take control of our Company, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to the holders of the Equity Shares. For more information, see the "*Securities Market of India — Takeover Code*".

36. Investors in the Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and may be diluted in their ownership position of our Company.

Under the Companies Act, 1956, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the equity shares which are voted on the resolution or unless such company has obtained Government approval to issue equity shares without such rights. Moreover, if the law of the jurisdiction of an investor does not permit the exercise of such Investors' pre-emptive rights without our company filing an offering document or registration statement with the applicable authority of such jurisdiction, such investor will be unable to exercise its pre-emptive rights unless our company makes such a filing. To the extent that Investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares, their proportional interest in our Company may be reduced.

37. Trade deficits could have a negative effect on our Company's business and the trading price of the Equity Shares.

India's trade relationships with other countries can influence Indian economic conditions. If India's trade deficits increase or become unmanageable, the Indian economy, and consequently our Company's business, future financial performance and the trading price of the Equity Shares could be adversely affected.

38. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our Company's business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern such as swine influenza around the world could have a negative impact on economies, financial markets and business activities worldwide, which could have a material adverse effect on our Company's business. Although our Company has not been adversely affected by such outbreaks, there can be no assurance that a future outbreak of an infectious disease or any other serious public health concern will not have a material adverse effect on its business.

RISKS ASSOCIATED WITH THE EQUITY SHARES AND THIS ISSUE

39. ***Our Company will continue to be controlled by Promoters, whose interests may differ from those of other shareholders.***

As on 31st March 2010, our Promoters and Promoter Group holds 53.88% of our Equity Share Capital. Immediately following completion of the Issue the Promoters and Promoter Group will hold 45.83 % of our Company's Equity Shares. Promoters will be able to influence major policy decisions, including our Company's overall strategic and investment decisions, by (i) controlling the election of Directors and, in turn, indirectly controlling the selection of senior management; (ii) determining the timing and amount of dividend payments; (iii) deciding on increases or decreases in share capital in issue; (iv) determining the issuance of new securities; and (v) approving mergers, acquisitions and disposals of our Company's assets or businesses.

The interests of the Promoters could be different from the interests of other shareholders. Accordingly, the Promoters may take actions that favour their own interests and which may not be in the best interests of other shareholders.

40. ***There may not be an active or liquid market for the Equity Shares, which may cause the price of the Equity Shares to fall and may limit Investors' ability to sell the Equity Shares.***

The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- Company's financial results and the financial results of the companies in the businesses its operates in;

- the history of, and the prospects for, our Company's business and the sectors and industries in which it competes;

- the valuation of publicly traded companies that are engaged in business activities similar to our Company's;

- significant developments in India's economic liberalization and deregulation policies.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, Investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of our Company's operating performance or prospects.

41. ***Future issues or sales of our company's Equity Shares may significantly affect the trading price of the Equity Shares.***

A future issue of equity shares by our Company or sale of shares by any of its significant shareholders, or the perception that such issues or sales may occur, may significantly affect the trading price of the Equity Shares. Investors in the Equity Shares will experience dilution upon the issue and allotment of additional equity shares. Other than (i) the agreements to be entered into by certain of our Company's shareholders to not offer, pledge, sell, contract to sell, purchase any option or contract to sell, grant or sell any option, right, contract or warrant to purchase, lend, make any short sale or otherwise transfer or dispose of any Equity Shares for a certain period of time as a result of this Issue, or (ii) any regulatory consent that may be required under applicable law, there are no restrictions on our Company's ability to issue further equity shares, including any securities to the Promoters, and there can be no assurance that our Company will not issue further equity shares in the future. The issue or sale of a large number of our Company's equity shares by it or any of its significant shareholders, or the perception that such issues or sales may occur, could adversely affect the market price of the Equity Shares.

42. The Equity Shares are subject to transfer restrictions.

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or for the account or benefit of U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States in reliance on Regulation S. The Equity Shares are not transferable except in accordance with the restrictions described under *"Transfer Restrictions"* in this Placement Document. The eligible securities allotted under qualified institutions placement shall not be sold by the allottee for a period of one year from the date of allotment, except on a recognised stock exchange and the allottees can not enter into any off-market trading in respect of these Equity Shares. This may affect the liquidity of the Equity Shares in the hands of the Investors.

43. Investors may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than twelve (12) months will not be subject to capital gains tax in India if Securities Transaction Tax (**"STT"**) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares in an Indian company held for more than twelve (12) months which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Any gain realized on the sale of listed equity shares held for a period of twelve (12) months or less will be subject to short term capital gains tax in India. Further, Indian tax on capital gains may be relieved under certain tax treaties. For further information, refer to the section "*Taxation*".

44. There is no guarantee that the Equity Shares proposed to be issued will be listed on the BSE, the NSE and the CSE in a timely manner or at all.

In accordance with Indian law and practice, final approval for the listing of the Equity Shares in the Issue will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted to the Stock Exchanges. There could be a failure or a delay in listing the Equity Shares on the BSE, the NSE and the CSE. Any failure or delay in obtaining the approval would restrict Investors' ability to dispose of their Equity Shares.

45. Any trading closures at the Stock Exchanges may adversely affect the trading price of the Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of Investors, brokers and other participants differ, in some cases significantly, from those in certain other securities markets. The Stock Exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, any of the Stock Exchanges could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

MARKET PRICE INFORMATION

PCBL is listed on the CSE, BSE and NSE. The Equity Shares have been listed since 1960.

The table set forth below is for the periods that indicate the high and low prices of our Equity Shares and also the volume of trading activity.

1. The high, low and average market prices of our Equity Shares during the preceding three years.

BSE

Financial Year (Ending 31st March)	Date	High	Volume as on Date of High (No. of Shares)	Date	Low	Volume as on Date of Low (No. of Shares)	Average Price (*)
2007	24/01/2007	158.35	93250	15/06/2006	34.20	4779	85.74
2008	10/12/2007	297.00	78811	03/04/2007	119.05	2682	186.69
2009	29/04/2008	229.80	114883	16/3/2009	26.55	6416	106.18
2010	12/03/2010	215.60	439063	01/04/2009	31.70	17901	131.98

(*) Average of the daily closing prices for the period
Source: www.bseindia.com

NSE

Financial Year (Ending 31st March)	Date	High	Volume as on Date of High (No. of Shares)	Date	Low	Volume as on Date of Low (No. of shares)	Average Price (*)
2007	24/01/2007	158.00	65875	15/06/2006	35.00	5701	85.74
2008	07/12/2007	300.00	213680	25/3/2008	115.55	130608	186.91
2009	29/04/2008	222.00	105553	6/03/2009	24.25	7371	106.28
2010	12/03/2010	215.70	557428	01/04/2009	32.20	26721	132.27

(*) Average of the daily closing prices for the period

Source: www.nseindia.com

2. Monthly high and low prices on the Stock Exchanges for the six months preceding the date of filing of this Placement Document.

BSE

Month	Date	High	Volume as on Date of High (No. of Shares)	Date	Low	Volume as on Date of Low (No. of Shares)	Average Price (*)
October 2009	01/10/2009	188.85	25818	30/10/2009	159.25	8752	173.46
November 2009	25/11/2009	178.00	14950	05/11/2009	140.00	8044	159.63
December 2009	03/12/2009	167.25	21112	17/12/2009	133.70	63765	154.27
January 2010	18/1/2010	193.90	472013	05/01/2010	158.05	58815	172.98
February 2010	01/02/2010	200.00	158248	26/02/2010	174.50	23703	185.05
March 2010	12/03/2010	215.60	439063	29/03/2010	176.00	20494	193.87
1st April to 29th, April 2010	28/04/2010	221.85	669085	05/04/2010	191.50	16958	202.29

NSE

Month	Date	High	Volume as on Date of High (No. of Shares)	Date	Low	Volume as on Date of Low (No. of Shares)	Average Price (*)
October 2009	01/10/2009	188.80	34596	28/10/2009	159.75	24328	173.30
November 2009	25/11/2009	179.90	21037	05/11/2009	138.00	20938	159.72
December 2009	03/12/2009	167.00	20701	17/12/2010	134.00	60973	154.46
January 2010	18/01/2010	193.70	537849	13/01/2010	152.10	32048	173.11
February 2010	02/02/2010	200.00	129034	11/02/2010	165.00	58756	185.03
March 2010	12/03/2010	215.70	557428	29/03/2010	180.00	25505	194.01
1st April to 29th, April 2010	28/04/2010	221.90	713820	09/04/2010	191.00	22280	202.96

(*) Average of the daily closing prices for the period
Source: www.nseindia.com, *Source: www.bseindia.com*

3. Market Price on the first working day following the Board meeting approving the Qualified Institution Placement i.e., in this case March 11, 2010 and after the approval of the members by way of Postal Ballot on April 16, 2010.

	BSE						NSE					
Date	**Open**	**High**	**Low**	**Close**	**Traded Volume (No. of shares)**	**Turnover (Rs. In lakhs)**	**Open**	**High**	**Low**	**Close**	**Traded Volume (No. of shares)**	**Turnover (Rs. In lakhs)**
11/03/2010	195.35	201.90	192.10	195.45	17,599	34.77	195.60	201.00	195.00	195.85	18665	36.94
12/03/2010	199.00	215.60	194.00	196.10	4,39,063	907.77	212.00	215.70	193.00	195.30	557428	1,146.93
16/04/2010	199.00	202.00	197.00	197.80	17,513	34.76	205.00	205.00	198.00	198.30	36191	72.24
19/04/2010	197.80	202.25	196.50	200.00	55,029	110.08	197.95	207.00	195.00	200.20	81303	163.45

4. Volume of business transacted during the last six months.

	BSE		**NSE**	
Month	**Total Volume of Securities Traded (No. of Shares)**	**Total Value of Securities Transacted (Rs. In lakhs)**	**Total Volume of Securities Traded (No. of Shares)**	**Total Value of Securities Transacted (Rs. In lakhs)**
October 2009	226634	397.43	595275	1026.34
November 2009	151963	244.94	194774	314.41
December 2009	285537	427.19	388994	584.50
January 2010	1636056	2,958.75	2033434	3631.18
February 2010	800165	1,515.88	1044828	1978.04
March 2010	1190823	2388.91	1651315	3301.82
Upto 29th April 2010	1974496	4152.66	2738525	5718.23

Source: www.bseindia.com, www.nseindia.com

Note:

- **As there is no or insignificant trading on CSE, price statistics are disclosed for BSE and NSE and are not provided for CSE.**
- In the above data provided, High, Low and Average Prices are of the daily closing prices.
- In case of two days with same closing price, the date with higher volume has been considered.

USE OF PROCEEDS

The proceeds of the Issue are Rs.9928.75 lakhs, before deducting the expenses of the Issue. The proceeds of the Issue will be used in compliance with applicable laws to accelerate further growth, fund various expansion plans, long term working capital requirements, normal business operations, to repay the debts, to finance investment opportunities and for any other uses that may be permissible under applicable laws.

Our main objects clause and objects incidental or ancillary to the main objects clause of our Memorandum of Association enables us to undertake our existing activities.

In accordance with the policies instituted by our Board, our management will have the flexibility in deploying the proceeds for the purposes mentioned above. Further the proceeds may also be utilized for general corporate purposes and meeting expenses of the Issue. Pending utilization for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by the Board from time to time.

Capitalization Statement

The Board of Directors, at its meeting on March 11, 2010, approved the Issue and our Company's shareholders, pursuant to a resolution passed by way of postal ballot on April 16th 2010 approved the Issue. Upon the completion of the Issue, the Board of Directors or a committee thereof shall pass a resolution authorizing the Allotment of the Equity Shares pursuant to this Issue.

(Rs. in Lakhs)

	As of 31st March 2009	**As of**
	Pre – Issue	**Post - Issue**
Shareholders' Funds		
Share capital	2825.26	3,321.70
Reserves and Surplus	18993.28	28,425.59
Total Shareholders' Funds	21818.54	31,747.29
Indebtedness		
Secured Loans	41259.87	41,259.87
Unsecured Loans	1295.83	12,95.83
Total Indebtedness	42555.70	42,555.70
Total Capitalization	64374.24	74,302.99

- Pursuant to the approval of the shareholders for the Preferential Issue of convertible warrants by way of postal ballot on April 16, 2010, the Committee of Directors has considered and approved the issue of 12,50,000 warrants convertible into equal number equity shares at a price of Rs. 196/- calculated in accordance with Chapter – VII of the SEBI Regulations for an aggregate sum of Rs. 2450 Lakhs to the constituents of our Promoter / Promoter Group.

Evolvement of capital structure

Buildup of the equity share capital of our company is as mentioned below:

Year of allotment	No. of Equity Share	Cumulative No. of shares	Cumulative Equity Share Capital (Rs.)	Face Value (Rs.)	Consideration	Nature Of Allotment
1960	1250000	1250000	12500000	10	Cash	Public Issue
1962	312500	1562500	15625000	10	Cash	Rights Issue issued in ratio-1:4
1968	312500	1875000	18750000	10	Bonus	Bonus Issue issued in ratio-1:5
1971	187500	2062500	20625000	10	Bonus	Bonus Issue issued in ratio-1:10
1975	618750	2681250	26812500	10	Bonus	Bonus Issue issued in ratio-3:10
1980	1072500	3753750	37537500	10	Bonus	Bonus Issue issued in ratio-2:5
1984	1501500	5255250	52552500	10	Bonus	Bonus Issue issued in ratio-2:5
1994	8151279	13406529	134065290	10	Cash	Rights Issue issued in ratio-2:3
1998	4346667	17753196	177531960	10	*Issue of shares on Amalgamation of Carbon & Chemicals India Ltd. with our Co.	Sanctioned by the High Court at Calcutta and Kerala
2006#	3500000	21253196	212531960	10	Cash	Preferential Allotment
2007#	4000000	25253196	252531960	10	Cash	Preferential Allotment
2009#	3000000	28253196	282531960	10	Cash	Preferential Allotment

- Our company was set up with a capital investment of Rs 1.25cr by issue of 1250000 equity shares of Rs 10 each fully paid up.
- During the year 1968, 1971, 1975, 1980 and 1984, our Company issued Bonus shares to the existing shareholders raising total paid up capital to Rs. 5,25,52,500

* Amalgamation of Carbon & Chemicals India Ltd. with our Company at a consideration of 1 Equity Share issued for 3 equity shares of Carbon & Chemicals India Ltd. 4346667 Equity Shares of Rs 10/- each were allotted pursuant to the scheme of amalgamation as approved by the High Court at Calcutta and Kerala.

During the year 2006, 2007 and 2009 our Company allotted convertible warrants / fully paid Equity Shares on preferential basis to Promoters and other Investors.

- Pursuant to the approval of the shareholders for the Preferential Issue of convertible warrants by way of postal ballot on 16.04.2010, the Committee of Directors has considered and approved the issue of 12,50,000 warrants convertible into equal number equity shares at a price of Rs. 196/- calculated in accordance with Chapter – VII of the SEBI Regulations for an aggregate sum of Rs. 2450 Lakhs to the constituents of our Promoter / Promoter Group.

Shareholding Pattern

As on 31st March, 2010

Category of Shareholder	No. of Shareholders	Total No. of Shares	Total No. of Shares held in Dematerialized Form	Total Shareholding as a % of total No. of Shares		Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of shares	As a % of Total No. of Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Bodies Corporate	17	15,222,721	12,496,307	53.88	53.88	-	-
Sub Total	**17**	**15,222,721**	**12,496,307**	**53.88**	**53.88**	**-**	**-**
(2) Foreign							
Total shareholding of Promoter and Promoter Group (A)	**17**	**15,222,721**	**12,496,307**	**53.88**	**53.88**	**-**	**-**
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	10	1,715,975	1,714,373	6.07	6.07	-	-
Financial Institutions / Banks	30	3,301	1,949	0.01	0.01	-	-
Central Government / State Government(s)	1	467,900	467,900	1.66	1.66	-	-
Insurance Companies	2	176,455	176,444	0.62	0.62	-	-
Foreign Institutional Investors	9	1,648,321	1,648,321	5.83	5.83	-	-
Sub Total	**52**	**4,011,952**	**4,008,987**	**14.20**	**14.20**	**-**	**-**
(2) Non-Institutions							
Bodies Corporate	606	4,299,550	4,290,922	15.22	15.22	-	-
Individuals						**-**	**-**
Individual shareholders holding nominal share capital	24,131	3,793,154	2,860,201	13.43	13.43	-	-

up to Rs. 1 lakh							
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	17	733,618	720,285	2.60	2.60	-	-
Any Others (Specify)	**652**	**192,201**	**119,984**	**0.68**	**0.68**	**-**	**-**
Non Resident Indians	652	192,201	119,984	0.68	0.68	-	-
Sub Total	**25,406**	**9,018,523**	**7,991,392**	**31.92**	**31.92**	**-**	**-**
Total Public shareholding (B)	**25,458**	**13,030,475**	**12,000,379**	**46.12**	**46.12**	**-**	**-**
Total (A)+(B)	**25,475**	**28,253,196**	**24,496,686**	**100.00**	**100.00**	**-**	**-**
(C) Shares held by Custodians and against which Depository Receipts have been issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A)+(B)+(C)	**25,475**	**28,253,196**	**24,496,686**	**100.00**	**100.00**	**-**	**-**

Shareholding of Promoter and Promoter Group as on 31st March 2010

Sl. No.	**Name of the Shareholder**	**Total Shares held**		**Shares pledged or otherwise encumbered**		
		Number	**%age**	**Number**	**% of Total shares held**	**As a % of total capital**
1	Adorn Investments Ltd	3,473,749	12.30	-	-	-
2	Universal Industrial Fund Ltd	57,86,262	20.48	-	-	-
3	Off Shore India Ltd	2,039,655	7.22	-	-	-
4	CHI Investments Ltd	1,903,114	6.74	-	-	-
5	Adapt Investments Ltd	854,439	3.02	-	-	-
6	Instant Holdings Ltd	832,805	2.95	-	-	-
7	Trade Apartments Ltd	1,71,200	0.61	-	-	-
8	Harrisons Malayalam Financial Services Ltd	90,383	0.32	-	-	-
19	Spencer & Co Ltd	70,500	0.25	-	-	-
10	Hilltop Holdings India Ltd	214	0.00	-	-	-

11	Organised Investments Ltd	150	0.00	-	-	-
12	KEC Holdings Ltd	100	0.00	-	-	-
13	Saregama India Ltd	100	0.00	-	-	-
14	Jubilee Investments & Industries Ltd	50	0.00	-	-	-
	Total	**15,222,721**	**53.88**	**-**	**-**	**-**

Shareholding belonging to the category "Public" and holding more than 1% of the Total No. of Shares as on 31st March 2010

Sl. No.	**Name of the Shareholder**	**No. of Shares**	**Shares as % of Total No. of Shares**
1	GMO Emerging Illiquid (Mauritius) Fund	888,688	3.15
2	Silvercross Marketing Pvt Ltd	801,600	2.84
3	Lend Lease Company (India) Ltd	800,000	2.83
4	ICICI Prudential Emerging Star	590,946	2.09
5	Max New York Life Insurance Company Ltd	475,428	1.68
6	Kerala State Industrial Development Corporation	467,900	1.66
7	Man Mohan Damani	400,000	1.42
8	Bang Securities Pvt Ltd	376,837	1.33
9	India Optima Fund	300,443	1.06
10	Snap Securities Pvt Ltd	300,000	1.06
	Total	**5,401,842**	**19.12**

DIVIDEND AND DIVIDEND POLICY

Under the Companies Act, unless Company's Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value of the Shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Shares as on the record date for which such dividend is payable. In addition, as is permitted by Company's Articles of Association, the Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date" or to those shareholders keeping their shares in dematerialized form, a list of which is provided by NSDL and CDSL. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his Shares is outstanding. The following table sets out, for the periods indicated, the dividends paid by our Company.

Year Ended 31st March	Dividend per share (Rs.)	Total amount of Dividend (note) (Rs. In Lakhs)
2007	2/-	505.06
2008	4/-	1010.13
2009	-	-

Note: Dividends exclude dividend distribution tax.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Future Dividends

The form, frequency and amount of future dividends will depend on our Company's revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of its Board of Directors and subject to the approval of its Shareholders. Our Company may not declare any dividend that is not recommended by its Board of Directors. No dividend may be paid except out of our Company's profits or pursuant to Section 205 of the Companies Act and subject to other provisions of the Companies Act and rules framed there under and covenants with lenders. The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future.

SUMMARY SELECTED FINANCIAL AND OPERATING DATA

The summary financial information as of and for the three years ended March 31, 2009, 2008 and 2007 set forth below has been derived from our financial statements included elsewhere in this Placement Document. Our financial statements are prepared and presented in accordance with Indian GAAP. For a summary of our significant accounting policies and the basis of the presentation of our financial statements, please refer to the notes to the financial statements included in this Placement Document. The summary financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements included in this Placement Document.

Balance Sheet as at 31st March, 2009	**As at**	As at
	31st March, 2009	31st March, 2008
	Rupees in Lakhs	Rupees in Lakhs
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	**2,825.26**	2,525.25
Convertible Warrants issued and allotted	**-**	447.00
Reserves and Surplus	**18,993.28**	21,307.38
	21,818.54	24,279.63
LOAN FUNDS		
Secured Loans	**41,259.87**	26,457.96
Unsecured Loans	**1,295.83**	2,583.41
	42,555.70	29,041.37
Deferred Tax Liability (Net)	**171.10**	3,530.23
	64,545.34	56,851.23
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross Block	**44,048.56**	45,065.68
Less: Depreciation	**21,250.69**	20,575.23
Net Block	**22,797.87**	24,490.45
Capital Expenditure In Progress	**38,276.64**	13,051.04
	61,074.51	37,541.49
INVESTMENTS	**3,776.10**	2,805.52
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	**12,096.97**	15,528.47
Sundry Debtors	**18,075.62**	21,756.76
Cash and Bank Balances	**713.47**	1,506.09
Other Current Assets	**4,781.74**	4,633.00
Loans and Advances	**3,654.75**	1,547.18
	39,322.55	44,971.50
Less:		
CURRENT LIABILITIES AND PROVISIONS		
Liabilities	**39,700.19**	27,373.49
Provisions	**-**	1,181.80
	39,700.19	28,555.29
NET CURRENT ASSETS	**(377.64)**	16,416.21
MISCELLANEOUS EXPENDITURE (TO THE EXTENT		
NOT WRITTEN OFF OR ADJUSTED)		
Payments under Voluntary Retirement Schemes	**72.37**	88.01
TOTAL	**64,545.34**	**56,851.23**

Profit and Loss Account for the year ended 31st March, 2009

	Year Ended 31st March,2009 Rupees in Lakhs			Year Ended 31st March,2008 Rupees in Lakhs		
INCOME						
Sales - Carbon Black	**127,208.19**			114,983.75		
Less : Excise Duty	**12,431.13**			13,159.12		
		114,777.06			101,824.63	
Sales – Power		**1,550.79**			1,493.53	
Other Income		**1,632.46**			612.22	
Closing Stock of Finished Goods		**3,115.89**			2,114.92	
			121,076.20			106,045.30
EXPENDITURE						
Opening Stock of Finished Goods		**2,114.92**			1,399.13	
Raw Materials Consumed		**93,999.47**			64,066.26	
Expenses		**23,870.51**			25,802.65	
Depreciation		**1,963.67**			2,013.59	
Finance and Other Expenses		**8,857.68**			1,485.23	
			130,806.25			94,766.86
PROFIT / (LOSS) BEFORE TAXATION			**(9730.05)**			11,278.44
Provision for Taxation			**(3245.91)**			2,347.59
PROFIT AFTER TAXATION			**(6484.14)**			8,930.85
Balance brought forward from previous year			**10,433.53**			3,584.48
Profit available for Appropriation			**3,949.39**			12,515.33
Proposed Dividend			**-**			1,010.13
Tax on Proposed Dividend			**-**			171.67
			3,949.39			11,333.53
Transferred to General Reserve			**-**			900.00
Balance Carried to Balance Sheet			**3,949.39**			10,433.53
Earnings per Share (Rs.)						
- Basic			**(24.12)**			35.37
- Diluted			**(24.12)**			34.19

Cash Flow Statement for the year ended 31st March, 2009					
		Year Ended 31st March, 2009 Rupees in lakhs		Year Ended 31st March, 2008 Rupees in lakhs	
A.	Cash Flow From Operating Activities				
	Net Profit before taxation		**(9,730.05)**		11,278.44
	Adjustments for:				
	Depreciation	**1,963.67**		2,013.59	
	Loss on sale of fixed assets (net)	**379.68**		39.63	
	Unrealised (gain) / loss (net) on foreign exchange fluctuation	**201.09**		443.76	
	Income from Dividend	**(177.00)**		(155.11)	
	Interest (Received/ Receivable on Inter Corporate Deposits etc.)	**(188.29)**		(78.45)	
	Profit (net) on sale of Investment	**(1,113.31)**		(5.94)	
	Interest (Paid/ Payable on loans etc)	**2,936.13**		1,944.70	
	Bad Debts written off (net)	**48.64**		342.03	
	Provision for Doubtful Debts (net)	**36.31**		113.70	
	Provision for diminution in value of investments	**0.10**		-	
	Amortisation of payments under Voluntary Retirement Schemes	**52.84**		67.02	
			4,139.86		4,724.93
	Operating Profit before Working Capital Changes		**(5,590.19)**		16,003.37
	Adjustments for:				
	Inventories	**3,431.50**		(4,042.64)	
	Trade and Other Receivables	**2,594.75**		(1,059.09)	
	Trade Payables	**11,905.92**		(992.29)	
			17,932.17		(6,094.02)
	Cash Generated from Operations		**12,341.98**		9,909.35
	Direct Taxes Paid (including Tax Deducted at Source)		**(947.82)**		(3,326.46)
	Payments under Voluntary Retirement Scheme		**(37.20)**		(51.80)
	Net Cash from Operating Activities		**11,356.96**		6,531.09
B.	Cash Flow from Investing Activities				
	Payments for fixed assets	**(24,345.38)**		(10,920.21)	

	Sale proceeds of fixed assets	**107.59**		18.93	
	Purchase of Investment	**(54,939.83)**		(38,775.68)	
	Investment in Phillips Carbon Black Cyprus Holdings Ltd	**(26.18)**		-	
	Sale of Investment	**55,104.98**		38,781.62	
	Dividend received from Investments	**177.00**		155.11	
	Inter Corporate Deposits given	**(3,770.00)**		(1,000.00)	
	Inter Corporate Deposits realised	**3,770.00**		1,132.75	
	Interest Received Others	**5.35**		139.36	
	Interest Received on Inter Corporate Deposits etc.	**141.49**		122.71	
	Net Cash used in Investing Activities		**(23,774.98)**		(10,345.41)
C.	Cash Flow from Financing Activities				
	Allotment money (including premium) received	**4,023.04**		0.18	
	Proceeds from long term borrowings	**24,466.92**		4,218.80	
	Proceeds from short term borrowings	**10,175.00**		4,000.00	
	Redemption of Debentures	**-**		(1,000.00)	
	Repayment of long term borrowings	**(2,851.93)**		(1,543.13)	
	Repayment of short term borrowings	**(11,175.00)**		(3,000.00)	
	Increase / (Decrease) in cash credit facilities, temporary overdraft etc. from banks	**(7,343.93)**		1,332.34	
	Dividends paid (including tax on dividend)	**(1,172.45)**		(586.73)	
	Interest paid	**(4,496.25)**		(2,317.46)	
	Net Cash used in Financing Activities		**11,625.40**		1,104.00
	Net increase in Cash and Cash Equivalents		**(792.62)**		**(2,710.32)**
	Opening Cash and Cash Equivalents		**1,506.09**		**4,216.41**
	Closing Cash and Cash Equivalents		**713.47**		**1,506.09**

Balance Sheet As on 31st, March, 2008

SOURCES OF FUNDS	As at 31st March, 2008 Rupees in lakhs	As at 31st March, 2007 Rupees in lakhs
SHAREHOLDERS' FUNDS		
Share Capital	**2,525.25**	2,525.23
Convertible Warrants issued and allotted	**447.00**	447.00
Reserves and Surplus	**21,307.38**	13,608.20
	24,279.63	16,580.43
LOAN FUNDS		
Secured Loans	**26,457.96**	23,154.47
Unsecured Loans	**2,583.41**	1,838.21
	29,041.37	24,992.68
Deferred Tax Liability (Net)	**3,530.23**	4,336.65
	56,851.23	45,909.76
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross Block	**45,065.68**	44,717.03
Less: Depreciation	**20,575.23**	18,686.55
Net Block	**24,490.45**	26,030.48
Capital Expenditure In Progress	**13,051.04**	2,107.61
	37,541.49	28,138.09
INVESTMENTS	**2,805.52**	2,805.52
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	**15,528.47**	11,485.83
Sundry Debtors	**21,756.76**	23,366.55
Cash and Bank Balances	**1,506.09**	4,216.41
Other Current Assets	**4,633.00**	2,463.04
Loans and Advances	**1,547.18**	1,402.88
	44,971.50	42,934.71
Less:		
CURRENT LIABILITIES AND PROVISIONS		
Liabilities	**27,373.49**	27,480.89
Provisions	**1,181.80**	590.90
	28,555.29	28,071.79
NET CURRENT ASSETS	**16,416.21**	14,862.92
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)		
Payments under Voluntary Retirement Schemes	**88.01**	103.23
	56,851.23	45,909.76

Profit and Loss Account for the year ended 31st March, 2008

			Year Ended 31st March,2008 Rupees in Lakhs			Year Ended 31st March,2007 Rupees in Lakhs
INCOME						
Sales - Carbon Black	**114,983.75**			111,276.24		
Less : Excise Duty	**13,159.12**			12,469.05		
		101,824.63			98,807.19	
Sales - Power		**1,493.53**			1,054.62	
Other Income		**612.22**			408.69	
Closing Stock of Finished Goods		**2,114.92**			1,399.13	
			106,045.30			101,669.63
EXPENDITURE						
Opening Stock of Finished Goods		**1,399.13**			1,998.35	
Raw Materials Consumed		**64,066.26**			67,262.00	
Expenses		**25,343.18**			22,657.89	
Depreciation		**2,013.59**			2,036.48	
Interest		**1,944.70**			3,260.27	
			94,766.86			97,214.99
PROFIT BEFORE TAXATION			**11,278.44**			4,454.64
Provision for Taxation			**2,347.59**			2,101.44
PROFIT AFTER TAXATION			**8,930.85**			2,353.20
Balance brought forward from previous year			**3,584.48**			1,999.18
Profit available for Appropriation			**12,515.33**			4,352.38
Proposed Dividend			**1,010.13**			505.06
Tax on Proposed Dividend			**171.67**			85.84
			11,333.53			3,761.48
Transferred to General Reserve			**900.00**			177.00
Balance Carried to Balance Sheet (Schedule 2)			**10,433.53**			3,584.48
Earnings per Share (Rs.)						
- Basic			**35.37**			11.75
- Diluted			**34.19**			11.47

Cash Flow Statement for year ended 31st March, 2008				
	Year Ended 31st March, 2008 Rupees in lakhs		Year Ended31st March, 2007 Rupees in lakhs	
Cash Flow From Operating Activities				
Net Profit before taxation		**11,278.44**		4,454.64
Adjustments for:				
Depreciation	**2,013.59**		2,036.48	
Loss on sale of fixed assets (net)	**39.63**		47.10	
Unrealised (gain) / loss (net) on foreign exchange fluctuation	**443.76**		(453.68)	
Income from Dividend	**(155.11)**		(2.87)	
Interest (Received/ Receivable on Inter Corporate Deposits etc.)	**(78.45)**		(62.01)	
Profit (net) on sale of Investment	**(5.94)**		(1.33)	
Interest (Paid/ Payable on loans etc)	**1,944.70**		3,260.27	
Bad Debts written off (net)	**342.03**		-	
Provision for Doubtful Debts (net)	**113.70**		624.70	
Provision for diminution in value of investments	**-**		101.01	
Amortisation of payments under Voluntary Retirement Schemes	**67.02**		68.14	
		4,724.93		5,617.81
Operating Profit before Working Capital Changes		**16,003.37**		10,072.45
Adjustments for:				
Inventories	**(4,042.64)**		(2,376.67)	
Trade and Other Receivables	**(1,059.09)**		(1,154.57)	
Trade Payables	**(992.29)**		5,588.63	
		(6,094.02)		2,057.39
Cash Generated from Operations		**9,909.35**		12,129.84
Direct Taxes Paid (including Tax Deducted at Source)		**(3,326.46)**		(606.73)
Payments under Voluntary Retirement Scheme		**(51.80)**		(42.00)
Net Cash from Operating Activities		**6,531.09**		11,481.11
Cash Flow from Investing Activities				
Payments for fixed assets	**(10,920.21)**		(2,046.71)	
Sale proceeds of fixed assets	**18.93**		58.52	
Purchase of Investment	**(38,775.68)**		(1,650.29)	
Sale of Investment	**38,781.62**		1,651.62	
Dividend received from Investments	**155.11**		2.87	

Inter Corporate Deposits given	**(1,000.00)**		(1,000.00)	
Inter Corporate Deposits realised	**1,132.75**		1,005.75	
Interest Received Others	**139.36**		207.48	
Interest Received on Inter Corporate Deposits etc.	**122.71**		6.79	
Net Cash used in Investing Activities		**(10,345.41)**		(1,763.97)
Cash Flow from Financing Activities				
Allotment money (including premium) received	**0.18**		5,397.61	
Proceeds from long term borrowings	**4,218.80**		10,451.80	
Proceeds from short term borrowings	**4,000.00**		21,060.90	
Redemption of Debentures	**(1,000.00)**		(1,000.00)	
Repayment of long term borrowings	**(1,543.13)**		(2,983.54)	
Repayment of short term borrowings	**(3,000.00)**		(31,755.53)	
Increase / (Decrease) in cash credit facilities, temporary	**1,332.34**		(6,328.99)	
overdraft etc. from banks				
Dividends paid (including tax on dividend)	**(586.73)**		(3.80)	
Interest paid	**(2,317.46)**		(3,453.55)	
Net Cash used in Financing Activities		**1,104.00**		(8,615.10)
Net increase in Cash and Cash Equivalents		**(2,710.32)**		1,102.04
Opening Cash and Cash Equivalents		**4,216.41**		3,114.37
Closing Cash and Cash Equivalents		**1,506.09**		4,216.41

Balance Sheet as at 31st March,2007		
	As at 31st March, 2007 Rupees in Lakhs	As at 31st March,2006 Rupees in Lakhs
Sources of Funds		
SHAREHOLDERS' FUNDS		
Share Capital	**2,525.23**	1,775.15
Convertible warrants issued and allotted	**447.00**	-
Reserves and Surplus	**13,608.20**	7,645.37
	16,580.43	9,420.52
LOAN FUNDS		
Secured Loans	**23,154.47**	22,614.92
Unsecured Loans	**1,838.21**	13,089.96
	24,992.68	35,704.88
Deferred Tax Liability (Net)]	**4,336.65**	2,834.83
	45,909.76	47,960.23
Application of Funds		
FIXED ASSETS		
Gross Block	**44,717.03**	44,552.26
Less: Depreciation	**18,686.55**	16,683.64
Net Block	**26,030.48**	27,868.62
Capital Expenditure In Progress	**2,107.61**	351.37
	28,138.09	28,219.99
INVESTMENTS	**2,805.52**	2,906.53
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	**11,485.83**	9,109.16
Sundry Debtors	**23,366.55**	22,211.59
Cash and Bank Balances	**4,216.41**	3,114.37
Other Current Assets	**2,463.04**	2,769.86
Loans and Advances	**1,402.88**	1,805.91
	42,934.71	39,010.89
Less:		
CURRENT LIABILITIES AND PROVISIONS		
Liabilities	**27,480.89**	22,306.55
Provisions	**590.90**	-
	28,071.79	22,306.55
	14,862.92	16,704.34
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)		
Payments under Voluntary Retirement Schemes	**103.23**	129.37
	45,909.76	47,960.23

Profit and Loss Account for the year ended 31st March, 2007						
INCOME	**Year Ended 31st March,2007 Rupees in Lakhs**			Year Ended 31st March,2006 Rupees in Lakhs		
Sales - Carbon Black	**111,276.24**			81,725.09		
Less : Excise Duty	**12,469.05**	**98,807.19**		9,686.36	72,038.73	
Sales - Power		**1,054.62**			825.83	
Other Income		**408.69**			177.01	
Closing Stock of Finished Goods		**1,399.13**	**101,669.63**		1,998.35	75,039.92
EXPENDITURE						
Opening Stock of Finished Goods		**1,998.35**			2,003.10	
Raw Materials Consumed		**67,262.00**			50,707.05	
Expenses		**22,657.89**			19,086.40	
Depreciation		**2,036.48**			2,048.01	
Interest		**3,260.27**			3,064.97	
(Note 23 on Schedule 17)						
			97,214.99			76,909.53
PROFIT / (LOSS) BEFORE TAXATION			**4,454.64**			(1869.61)
Provision for Taxation						
Current Tax			**525.38**			-
Deferred Tax (release)/ charge			**1,501.82**			(458.41)
Fringe Benefit Tax			**74.24**			96.04
PROFIT / (LOSS) AFTER TAXATION			**2,353.20**			(1507.24)
Balance brought forward from previous year			**1,999.18**			3,506.42
Profit available for Appropriation			**4,352.38**			1,999.18
Proposed Dividend			**505.06**			-
Tax on Proposed Dividend			**85.84**			-
			3,761.48			1,999.18
Transferred to General Reserve			**177.00**			-
Balance Carried to Balance Sheet (Schedule 2)			**3,584.48**			1,999.18
Earnings/ (Loss) per Share (Rs.)						
-Basic			**11.75**			(8.49)
-Diluted			**11.47**			(8.49)

Cash Flow Statement for year ended 31st March, 2007					
		Year Ended 31st March, 2007 Rupees in lakhs		Year Ended31st March, 2006 Rupees in lakhs	
A.	**Cash Flow From Operating Activities**				
	Net Profit / (Loss) before taxation		**4,454.64**		(1,869.61)
	Adjustments for:				
	Depreciation	**2,036.48**		2,048.01	
	Loss on sale of fixed assets (net)	**47.10**		18.10	
	Unrealised (gain) / loss (net) on foreign exchange fluctuation	**(453.68)**		52.31	
	Income from Dividend	**(2.87)**		(0.11)	
	Interest (Received/Receivable on Inter Corporate Deposits etc.)	**(62.01)**		(53.60)	
	Profit (net) on sale of Investment	**(1.33)**		-	
	Interest (Paid/Payable on loans etc)	**3,260.27**		3,064.97	
	Provision for Doubtful Debts	**624.70**		180.00	
	Provision for diminution in value of investments	**101.01**		16.00	
	Amortisation of payments under Voluntary Retirement Schemes	**68.14**		62.39	
			5,617.81		5,388.07
	Operating Profit before Working Capital Changes		**10,072.45**		3,518.46
	Adjustments for:				
	Inventories	**(2,376.67)**		1,244.91	
	Trade and Other Receivables	**(1,154.57)**		(5,728.17)	
	Trade Payables	**5,588.63**		5,235.35	
			2,057.39		752.09
	Cash Generated from Operations		**12,129.84**		4,270.55
	Direct Taxes Paid (including Tax Deducted at Source)		**(606.73)**		(149.12)
	Payments under Voluntary Retirement Scheme		**(42.00)**		(47.93)
	Net Cash from Operating Activities		**11,481.11**		4,073.50
B.	**Cash Flow from Investing Activities**				
	Payments for fixed assets	**(2,046.71)**		(497.50)	
	Sale proceeds of fixed assets	**58.52**		28.90	
	Purchase of Investment	**(1,650.29)**		(886.57)	
	Sale of Investment	**1,651.62**		-	
	Dividend received from Investments	**2.87**		0.11	
	Inter Corporate Deposits given	**(1,000.00)**		-	
	Inter Corporate Deposits realised	**1,005.75**		600.00	
	Interest Received Others	**22.89**		3.72	
	Interest received on Inter Corporate Deposits etc.	**6.79**		11.14	

	Net Cash used in Investing Activities		**(1,948.56)**		(740.20)
C.	**Cash Flow from Financing Activities**				
	Allotment money (including premium) received	**5,397.61**		2.67	
	Proceeds from long term borrowings	**10,451.80**		359.45	
	Proceeds from short term borrowings	**21,060.90**		25,107.40	
	Redemption of Debentures	**(1,000.00)**		(500.00)	
	Repayment of long term borrowings	**(2,983.54)**		(953.48)	
	Repayment of short term borrowings	**(31,755.53)**		(25,274.38)	
	Increase / (Decrease) in cash credit facilities, temporary overdraft etc. from banks	**(6,328.99)**		1,770.97	
	West Bengal Capital Investment Subsidy received	**-**		125.48	
	Dividends paid (including tax on dividend)	**(3.80)**		(303.27)	
	Interest paid (net)	**(3,268.96)**		(3,061.76)	
	Net Cash used in Financing Activities		**(8,430.51)**		(2,726.92)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion of our financial condition and results of operations together with our audited financial statements under Indian GAAP and the notes to those statements included in Placement Document. The following discussion is based on our audited financial statements and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12 month period ended March 31 of that year.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding such risks and uncertainties, please see chapters "Forward-Looking Statements" and "Risk Factors" in this Placement Document.

Overview

Phillips Carbon Black Limited ("PCBL" or "our Company"), part of the RPG Group of Companies, was one of the pioneers of the carbon black industry in India.

Our Company, incorporated in 1960, started production from December 1962 using the oil furnace technology, the most widely accepted manufacturing process of carbon black patented by its then collaborator and world carbon black leader, Phillips Petroleum Company, USA. The collaboration with Phillips Petroleum Company ended in 1978 and our Company has since made considerable progress by virtue of continued efforts of technologists, engineers and sustained R&D activities.

In 1988 our Company entered into a technical agreement with Columbian Chemicals Company, USA, and acquired access to the modern state-of-the-art Carbon Black technology. This helped our Company in gaining flexibility, better product range, production capacity and energy conservation. The technical agreement ended in 1998.

Presently our Company has installed capacity of producing 3,60,000 Metric Tonnes Per Annum (MTPA) of Carbon Black along with green power capacity of 60.50 Mega Watt (MW).

Our Company has manufacturing facilities at 4 locations i.e., Durgapur in West Bengal, Palej and Mundra in Gujarat and Kochi in Kerala and a well-organized distribution network covering supplies to all tyre manufacturing units, tyre re-treading units and other consumers all over the country. Our Company is expanding carbon black capacity to take advantage of the growing demand and is setting up co-generation power plants to de-risk business model and bolster operating margins.

Our Company had taken advantage of the Electricity Act introduced in 2003 to set–up a 12 MW co-generation power plant (CPP) at its Palej plant during FY 2005 using the off gas emitted from its carbon black plant ("**Off Gas**").

Encouraged by the success of the Palej CPP, our Company has set up a 30 MW CPP at its Durgapur plant which commenced commercial operations from 1st April 2009. Our Company also has a 2.5 MW CPP at its plant located at Kochi, Kerala.

Our company has further completed its Greenfield project located in Mundra (Gujarat), with a carbon black capacity of 90,000 MT which has started operations from 17th October 2009 and our Company has also put up a CPP of 16 MW in Mundra which has commenced commercial operation from 24th December 2009.

To meet the growing demand of carbon black, both in the domestic and international markets, our Company has planned to further expand its carbon black capacity by 50,000 MT at Mundra. As a result, our Company's installed capacity for Carbon Black will reach to 4,10,000 MT.

Our Company has also planned to set up CPPs (using off gas) aggregating 16 MW i.e., 10 MW at Kochi and 6 MW at Mundra, and to decommission the existing 2.5 MW CPP at Kochi, Kerala. After completion of these expansions, our Company's green power generation capacity will reach 74 MW.

With the object to carve a niche in Overseas Markets our Company had also entered into a joint venture agreement with three subsidiary companies of Vinachem on 9th May 2008 for setting up a 1,15,000 MT carbon black facility and a 16MW power unit in phases in Vietnam in which our Company shall hold 80% stake through a special purpose vehicle and the three subsidiary companies of Vinachem would pick up 20% stake.

Opportunities and Threats:

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

Opportunities:

- The growth in domestic economy and particularly in auto sector should translate into higher demand for carbon black for replacement / OEM tyre demand.
- Launch of smaller cars is likely to generate demand for tyres for OEM segment and India may emerge as auto sector hub for smaller cars which will have favourable impact on demand for carbon black.
- Our Company can convert lean gases to generate electricity and boost profitability

Threats:

- Carbon black / tyre import
- New entrant
- Inadequate infrastructure at ports, resulting in detention of vessels and higher freight costs.

Risks and Concern:
The raw material for our Company (carbon black feedstock) is residual oil from extraction process of crude and has witnessed price volatility. The price of carbon black is generally revised every quarter. Drop in demand for carbon black and increase in import of carbon black has serious implications for the activity level and resultantly the availability of waste gas is impacted.

Our Company is also exposed to risks from fluctuations of Indian Rupee vis-à-vis other currencies, interest rate and regulations relating to environment.

Internal control systems and their adequacy

Our Company has established adequate internal control systems in all areas of operation by utilizing the services of internal and external auditors from time to time and also by its in – house experts and resources. Moreover, our 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 are taken. Operations Report is tabled at each Board Meeting, after discussion at the Audit Committee Meeting. An independent Audit Committee of the Board reviews the adequacy of Internal Control.

Environment, Health, Safety & Social Responsibility:

Our Company progressed further on various initiatives to achieve greater heights in the field of Environment, Health and Safety (EHS). Progressing towards the desired goal, our Company has brought in fresh policies for greener surroundings.

Our Company has strictly adhered to the Environment, Health and Safety norms at all its manufacturing locations, resulting in reduction in overall injury to the Environment.

The concerted efforts to incorporate efficient Corporate Social Responsibility continued during FY10, encompassing Health check up camps, Hepatitis B & C screening test, Free Eye Check-up Camps, Rural Area Development, Free distribution of Medicines at Medical Camps, Aids Awareness Programme and support to a few institutions involved in social service.

Human Resource Development:

Human Resources continue to be a focus area for our Company. Several initiatives were taken to facilitate the performance and developmental requirements of all employees. Our efforts in enhancing the effectiveness of the Balanced Business Scorecard remained unabated

Our Company's manpower requirement for the new expansion in Mundra and our existing manufacturing units have been carefully planned and benchmarked with the global organizations.

The industrial relations scenario continues to be healthy.

KEY FACTORS INFLUENCING RESULTS OF OPERATIONS :

- **Cost and availability of Raw Materials**

The primary raw material involved in the production of Carbon Black is carbon black feedstock (CBFS) which is a residue derived during refining of Crude Oil, the prices of which are subject to domestic and international supply and demand, import/export tariffs and duties, domestic duties and various other factors beyond our Company's control. The cost of CBFS accounted for 95.81% of the total cost of raw material in the FY 2009 and 97.11% in the FY 2008.

In recent years there have been significant fluctuations in the prices of Crude Oil. Our Company intends to derisk the business model through sale of surplus power from CPPs, see chapter titled "Our Business" in this Placement Document.

Further, the markets and prices for our Company's finished products may be influenced by the aggregate demand for such products (which may fluctuate with changes in economic conditions, the price and availability of equivalent products from competitors of our Company, among other factors).

- **Competition**

There is increasing competitive pressure in the industry in which we operate, which makes our goals of increasing market shares and broadening our consumer base a continuing challenge. Increasing competitive pressures may also impact our ability to improve realizations from our products. We need to respond to competitive business strategies adopted by other players and consequently our costs, including advertising and sales promotion expenses may increase.

- **Compliance with environmental laws and regulations.**

Our carbon black plants and co-generation power plants are subject to central and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. In case of any change in environmental or pollution laws and regulations, we may be required to incur significant amounts on, among other things, environmental monitoring, and pollution control equipment and emissions management. In addition, failure to comply with environmental laws may result in the assessment of penalties and fines against us by regulatory authorities.

- **Converting waste gas into Power**

Our Company has utilized the waste gas emitted while producing carbon black, to generate green power that is used for captive consumption as well as for merchant/bilateral sale. This brings additional revenue and also increases the operating margin, which provides sustainable bottom-line. Using the waste gas to generate power has made our Company the first carbon black company to be eligible for carbon credits. Our Company received Rs. 277.77 lakhs of Certified Emission Reduction (CERs) in FY08. This helps in increasing the overall EBIDTA margins.

- **Growth in the Automobile Industry to boost demand**

Notwithstanding the recent downturn in the Indian automotive sector which was a result of the global economic crisis, our Company believes that the automotive industry in India is poised for significant growth in the next few years, specifically in the small car and two-wheeler segments. Our Company believes that this growth will be commensurate with the overall expected growth in the Indian economy. Nearly all the major global automobile manufacturers have established operations in India and many are also considering India as an export destination for their products manufactured in other countries. Further, as the Indian economy continues to expand, our Company expects the infrastructure, communication and power sectors to grow, thereby increasing the demand for our Company's Power production. To the extent the Indian automotive and/or industrial sector experiences periods of slowing or negative growth, our Company's results of operations could suffer.

- **General Economic Condition**

The economic condition of India has a direct impact on our income as most of our businesses and operations are located in India and a substantial majority of our income is derived from India. We believe that the success of our business is dependent on the general economic conditions in India. Growth in the GDP and per capita income of Indians generally results in increased demand for automobile industry which is directly linked with the increase in income of our Company.

SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL YEAR

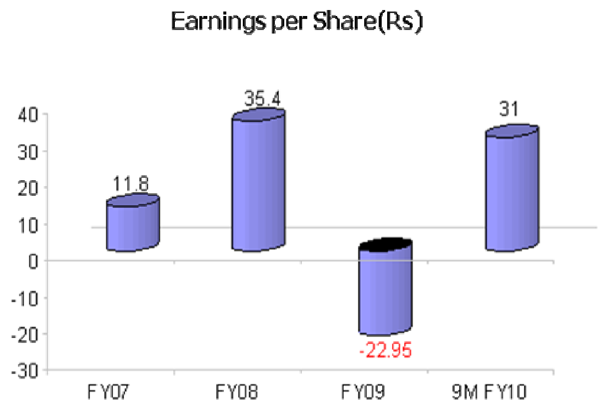
- Commissioning of 30 MW CPP at Durgapur during Q1FY 2010.
- Commissioning of 90,000 MT carbon black plant and 16MW CPP during the Q3FY 2010.
- Imposition of anti-dumping duty on import of carbon black by the government of India.
- Pursuant to the approval of the shareholders for the Preferential Issue of convertible warrants by way of postal ballot on 16.04.2010, the Committee of Directors has considered and approved the issue of 12,50,000 warrants convertible into equal number equity shares at a price of Rs. 196/- calculated in accordance with Chapter – VII of the SEBI Regulations for an aggregate sum of Rs. 2450 Lakhs to the constituents of our Promoter / Promoter Group.

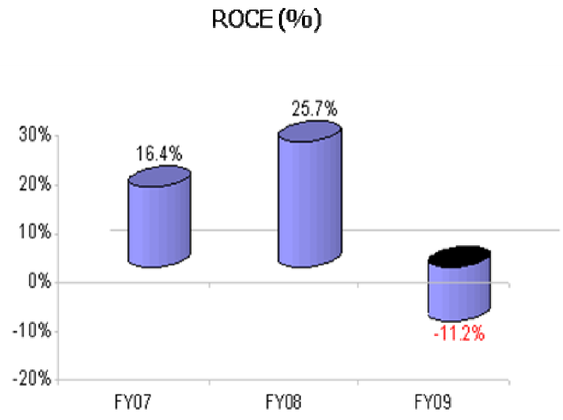
Discussion on financial performance with respect to operational performance

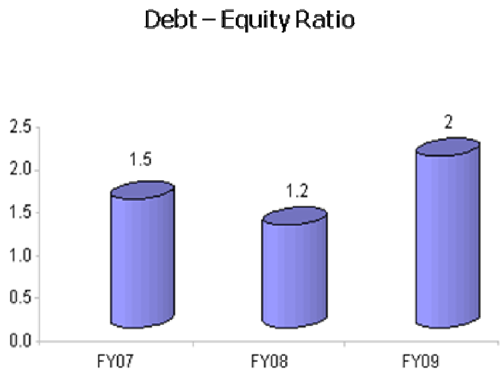
The table below sets forth information regarding our company's income, expenditure and profits for the indicated period.

Particulars	FY 2009		FY2008		FY 2007	
	Rs. (in lakhs)	% to total income	Rs. (in lakhs)	% to total income	Rs. (in lakhs)	% to total income
INCOME						
Net Sales	116,327.85	97.79%	103,318.16	98.73%	99,861.81	100.19%
Other Income	1,632.46	1.37%	612.22	0.59%	408.69	0.41%
Increase/(decrease) in Stock	1,000.97	0.84%	715.79	0.68%	(599.22)	(0.60%)
TOTAL INCOME	118,961.28	100.00%	104,646.17	100.00%	99,671.28	100.00%
EXPENDITURE						
Raw Materials Consumed	93,999.47	79.02%	64,066.26	61.22%	67,262.00	67.48%
Expenses	23,870.51	20.07%	25,802.65	24.66%	22,657.89	22.73%
Depreciation	1,963.67	1.65%	2,013.59	1.92%	2,036.48	2.04%
Finance and Other Expenses	8,857.68	7.45%	1,485.23	1.42%	3,260.27	3.27%
TOTAL EXPENDITURE	128,691.33	108.18%	93,367.73	89.22%	95,216.64	95.53%
Profit/(Loss) Before Taxation	(9,730.05)	(8.18%)	11,278.44	10.78%	4,454.64	4.47%
Provision for Taxation	3,245.91	2.73%	2,347.59	2.24%	2,101.44	2.11%
Profit/(Loss) After Taxation	(6484.14)	(5.45%)	8,930.85	8.53%	2,353.20	2.36%

Return to the Shareholders







COMPARISON OF FISCAL YEAR 2009 VIS -A-VIS WITH FISCAL YEAR 2008

Description of Selected Income Statement Line Items

Total Income and Sales

The income for the year ended 31.03.2009 stood at Rs. 118,961.28 lakhs in comparison to Rs. 104,646.17 lakhs for the previous year ended 31.03.2008 depicting a growth of 13.68%. The net sales increased from Rs. 103,318.16 lakhs to Rs. 116,327.85 lakhs, an increase of 12.59%. Other income increased from Rs. 612.22 lakhs to Rs. 1,632.46 lakhs, increase of 166.65% mainly due to Profit on sale of Investment of Rs. 1,113.31 lakhs for the year ended 31.03.2009 as compared to Rs. 5.94 lakhs for the year ended 31.03.2008.

Raw Materials Consumed

The cost of Material Consumed was at 61.22% in the FY 2008 vis-à-vis 79.02% in the FY 2009, an increase of 17.8%. In absolute terms the cost increased by 46.72% as compared to increase in sales of 12.59%.

Expenses

Expenses were at 24.66% in the FY 2008 vis-à-vis 20.07% in the FY 2009, a decline of 4.15%. In absolute terms also the cost declined by 5.81%.

Expenses under the head Salaries Wages and Bonus increased by 9.55% to Rs. 2,753.32 lakhs in comparison to Rs. 2,513.38 lakhs. This increase was principally due to (i) an increase in wages of management staff in line with industry standards and (ii) additional manpower costs incurred associated with the commissioning of the new capacities. Expenses for Consumption of Stores, Spares and Packing Materials' decreased by 6.33% to Rs. 3,107.47 lakhs in F.Y. 2009 from Rs. 3,317.56 lakhs in F.Y. 2008. Power and fuel expenses decreased by 20.22% to Rs. 521.48 lakhs in F.Y. 2009 from Rs. 653.68 lakhs in F.Y. 2008. Commission and Discount also decreased by 18.41% to Rs. 9,474.18 lakhs in F.Y. 2009 from Rs. 11,612.53 lakhs in F.Y. 2008. Our Company incurred a Loss on Disposal of Fixed Assets of Rs. 379.68 lakhs in F.Y. 2009 as compared to Rs. 39.63 lakhs in F.Y. 2008 which also resulted in the decrease of profit of our Company.

Finance and Other Expenses

Finance and Other Expenses increased 496.38% to Rs. 8,857.68 lakhs in FY 2009 from Rs. 1,485.23 lakhs in FY 2008. The increase in interest was primarily due to higher working capital requirement during FY 09. Exchange fluctuations was due to depreciation of Rupee against US dollar and hedging cost.

Depreciation

Depreciation for the FY 2009 is 1.65% of our total income as compared to 1.92% in the FY 2008. It declined by 2.48% in absolute terms as compared to the previous year. The gross fixed assets stood at Rs. 44,048.56 lakhs, a decline of 1017.12 lakhs since the previous year.

Profit / (Loss) Before Tax and Profit / (Loss) After Tax

Our Company had incurred a Loss before tax of Rs. 9730.05 lakhs for FY 2009 as compared to profit before tax of Rs.11,278.44 lakhs for the FY 2008. Our Company also posted a Loss after Tax of Rs. 6,484.14 lakhs as compared to a Profit after Tax of Rs. 8,930.85 lakhs for the FY 2008.

FY09 was probably the most challenging year in the history of our Company and was witness to one of the most severe recessions particularly in USA, Europe and Japan. Almost all companies in the auto sector in the aforesaid markets were operating at 60 – 75% of capacity particularly during second half of FY09. Collapse of one of the largest investment bank in the US triggered wide spread risk aversion and credit flow came to a grinding halt resulting into large scale production cuts, lay-offs and drop in demand for vehicles, tyres and carbon black. Unlike India, the aforesaid markets have significant dependence on demand from Original Equipment Manufacturer (OEM) segment which is extremely sensitive to interest rates/credit flows. Carbon Black companies were severely hit by cancellation of existing and future orders particularly during October to December 2008 which created a panic situation and overseas carbon black manufacturers started dumping carbon black in India which was witnessing relatively higher growth in GDP/economy. Thus ripple effect of global financial meltdown started impacting domestic carbon black prices and demand.

In India, carbon black demand dropped by 25% during second half of FY09 over corresponding period last year. The situation was further aggravated by large scale imports of carbon black in India.

Our Company had to take production cut particularly during second half of FY09 as a consequence of production cuts taken by tyre companies, wide spread tendency to de-stock due to liquidity crunch during Q3FY09 and large scale imports. Our Company could achieve market share of 38% during FY09 though the size of the pie reduced significantly due to imports and production cuts.

Drop in carbon black production had severe impact on availability of Off gas for generation of power as well. However with judicious allocation of production amongst the three Plants, our Company has been able to marginally improve upon revenue from sale of power during FY09 to Rs. 1551 lakhs from Rs. 1494 lakhs in FY08.

Sharp depreciation of Rupee against US dollar also had severe impact on the exchange fluctuation and the Company had to incur substantial hedging cost during FY 09 vis-à-vis FY 08.

COMPARISON OF FISCAL YEAR 2008 VIS -A-VIS WITH FISCAL YEAR 2007

Description of Selected Income Statement Line Items

Total Income and Sales

The income for the year ended 31.03.2008 stood at Rs. 104,646.17 lakhs in comparison to Rs. 99,671.28 lakhs for the previous year ended 31.03.2007 depicting a growth of 4.99%. The net sales increased from Rs. 99,861.81 lakhs to Rs. 103,318.16 lakhs, an increase of 3.46%. Other income increased from Rs. 408.69 lakhs to Rs. 612.22 lakhs, increase of 49.80% mainly due to Increase in dividend income of Rs. 155.11 lakhs for the year ended 31.03.2008 as compared to Rs. 2.87 lakhs for the year ended 31.03.2007.

Raw Materials Consumed

The cost of Material Consumed was at 61.22% in the FY 2008 vis-à-vis 67.48% in the FY 2007, a decline of 6.26%. In absolute terms the cost declined by 4.75% as compared to increase in sales of 3.46%. This was due to effective cost management strategies and improved utilization of raw materials.

Expenses

Expenses was at 24.22% in the FY 2008 vis-à-vis 22.73% in the FY 2008, a decline of 1.49%. In absolute terms the expenses increased by 11.85% due to increase in operations.

Expenses under the head Salaries Wages and Bonus increased by 25.92% to Rs. 2,513.38 lakhs in the F.Y. 2008 as compared to Rs. 1,996.06 lakhs in the F.Y. 2007. This increase was principally due to an increase in wages of management staff in line with industry standards. Consumption of Stores, Spares and Packing Materials increased by 4.18% to Rs. 3,317.56 lakhs in F.Y. 2008 from Rs. 3,184.43 lakhs in F.Y. 2007. Power and fuel expenses increased by 19.66% to Rs. 653.68 lakhs in F.Y. 2008 from Rs. 546.26 lakhs in F.Y. 2007. Commission and Discount also increased by 47.73% to Rs. 11,612.53 lakhs in F.Y. 2008 from Rs. 7,860.20 lakhs in F.Y. 2007.

Depreciation

Depreciation for the FY 2008 is 1.92% of our total income as compared to 2.042% in the FY 2007. It declined by 1.12% in absolute terms as compared to the previous year. The gross fixed assets stood at Rs. 45,065.68 lakhs, an increase of 348.65 lakhs since the previous year.

Profit Before Tax and Profit After Tax

Profit before taxation increased to Rs.11,278.44 lakhs in the FY 2008 with an increase in PBT by 153.18% as compared to Rs.4,454.64 lakhs in the FY 2007. Our Company posted a Profit after Tax of Rs. 8,930.85 lakhs with an increase in profit by 279.51% as compared to a Profit after Tax of Rs. 2,353.20 lakhs for the FY 2007.

Financial Condition, Liquidity and Capital Resources

Cash Flows

(Rs. In lakhs)

	For the year ended 31st March		
Particulars	**2009**	**2008**	**2007**
Net Cash Flow From Operating Activities	11,356.96	6,531.09	11,481.11
Net Cash Used In Investing Activities	(23,774.98)	(10,345.41)	(1,763.97)
Net Cash Used In Financing Activities	11,625.40	1,104.00	(8,615.10)
Net Changes In Cash & Cash Equivalents	(792.62)	(2,710.32)	1,102.04
Cash & Cash Equivalents- opening Balance	1,506.09	4,216.41	3,114.37
Cash & Cash Equivalents- closing Balance	713.47	1,506.09	4,216.41

Operating Activity

Net cash generated from operating activities was Rs 11,356.96 lakhs in the year ended March 31, 2009 and consisted of net profit before tax of Rs. (9730.05) lakhs, as adjusted for, among other things, depreciation and amortization of Rs. 1963.67 lakhs, loss on sale of fixed assets of 379.68 lakhs, unrealized (gain)/ loss on foreign exchange fluctuation of 201.09 lakhs, interest & other finance charges of Rs. 2936.13 lakhs, which was partially offset by the profit on sale of investment of Rs. 1113.31 lakhs. The cash flow was further adjusted for dividend income of Rs. 177 lakhs and interest received/ receivable on Inter Corporate deposits of Rs. 188.29 lakhs resulting in an operating profit before working capital changes of Rs. (5590.19) lakhs. Our operating profit before working capital changes of Rs. (5590.19) lakhs were further adjusted due to an increase in trade and other receivables of Rs. 2594.75 lakhs, increase in inventories of Rs. 3431.50 lakhs, increase in trade payables of Rs. 11905.92 lakhs, direct taxes paid of Rs. 947.82 lakhs & payment under VRS of Rs. 37.20 lakhs.

Net cash generated from operating activities was Rs 6531.09 lakhs in the year ended March 31, 2008 and consisted of net profit before tax of Rs. 11278.44 lakhs, as adjusted for, among other things, depreciation and amortization of Rs. 2013.59 lakhs, loss on sale of fixed assets of 39.63 lakhs, unrealized (gain)/ loss on foreign exchange fluctuation of 443.76 lakhs, interest & other finance charges of Rs. 1944.70 lakhs, which was partially offset by the profit on sale of investment of Rs. 5.94 lakhs. The cash flow was further adjusted for dividend income of Rs. 155.11 lakhs & interest received/ receivable on Inter Corporate deposits of Rs. 78.45 lakhs resulting in an operating profit before working capital changes of Rs. 16003.37 lakhs. Our operating profit before working capital changes of Rs. 16003.37 lakhs were further adjusted due to decrease in trade and other receivables of Rs. 1059.09 lakhs, decrease in inventories of Rs. 4042.64 lakhs, decrease in trade payables of Rs. 992.29 lakhs, direct taxes paid of Rs. 3326.46 lakhs and payment under VRS of Rs. 51.80 lakhs.

Net cash generated from operating activities was Rs 11481.11 lakhs in the year ended March 31, 2007 and consisted of net profit before tax of Rs. 4454.64 lakhs, as adjusted for, among other things, depreciation and amortization of Rs. 2036.48 lakhs, loss on sale of fixed assets of 47.10 lakhs, interest & other finance charges of Rs. 3260.27 lakhs, which was partially offset by the profit on sale of investment of Rs. 1.33 lakhs & unrealized (gain)/ loss on foreign exchange fluctuation of 453.68 lakhs. The cash flow was further adjusted for dividend income of Rs. 2.87 lakhs & interest received/ receivable on Inter Corporate deposits of Rs. 62.01 lakhs resulting in an operating profit before working capital changes of Rs. 10072.45 lakhs. Our operating profit before working capital changes of Rs. 10072.45 lakhs were further adjusted due to decrease in trade and other receivables of Rs. 1154.57 lakhs, decrease in inventories of Rs. 2376.67 lakhs & increase in trade payables of Rs. 5588.63 lakhs.

Investing Activities

Net cash used in investing activities was Rs. 23774.98 lakhs for the year ended March 31, 2009 and consisted of purchase of fixed assets of Rs. 24345.38 lakhs, purchase of investment of Rs. 54939.83 lakhs which was partially offset by proceeds from sale of fixed assets of Rs. 107.59 lakhs & sale proceeds of Rs 55104.98 lakhs from sale of investment , interest received others Rs. 5.35 lakhs, interest received on Inter Corporate Deposit Rs. 141.49 lakhs & dividend income of Rs. 177 lakhs.

Net cash used in investing activities was Rs. 10345.41 lakhs for the year ended March 31, 2008 and consisted of purchase of fixed assets of Rs. 10920.21 lakhs , purchase of investment of Rs. 38775.68 lakhs which was partially offset by proceeds from sale of fixed assets of Rs. 18.93 lakhs & sale proceeds of Rs 38781.62 lakhs from sale of investment , interest received others Rs. 139.36 lakhs, interest received on Inter Corporate Deposit Rs. 122.71 lakhs & dividend income of Rs. 155.11 lakhs.

Net cash used in investing activities was Rs. 1763.97 lakhs for the year ended March 31, 2007 and consisted of purchase of fixed assets of Rs. 2046.71 lakhs , purchase of investment of Rs. 1650.29 lakhs which was partially offset by proceeds from sale of fixed assets of Rs. 58.52 lakhs & sale proceeds of Rs 1651.62 lakhs from sale of investment , interest received others Rs. 207.48 lakhs, interest received on Inter Corporate Deposit Rs. 6.79 lakhs & dividend income of Rs. 2.87 lakhs.

Financing Activities

Net cash generated from financing activities for the year ended March 31, 2009 was Rs.11625.40 lakhs and consisted of long term & short term borrowing of Rs. 34641.92 lakhs, repayment of long term & short term borrowings of Rs. 14026.93 lakhs , decrease in cash credit limit of Rs. 7343.93 lakhs, dividend payment of Rs. 1172.45 lakhs & interest payment of Rs. 4496.25 lakhs.

Net cash generated from financing activities for the year ended March 31, 2008 was Rs.1104.00 lakhs and consisted of long term & short term borrowing of Rs. 8218.80 lakhs, repayment of long term & short term borrowings of Rs. 4543.13 lakhs , increase in cash credit limit of Rs. 1332.34 lakhs, redemption of debentures Rs. 1000 lakhs, dividend payment of Rs. 586.73 lakhs & interest payment of Rs. 2317.46 lakhs.

Net cash used in financing activities for the year ended March 31, 2007 was Rs.8615.10 lakhs and consisted of long term & short term borrowing of Rs. 31512.70 lakhs, repayment of long term & short term borrowings of Rs. 34739.07 lakhs , decrease in cash credit limit of Rs. 6328.99 lakhs, redemption of debentures Rs. 1000 lakhs, dividend payment of Rs. 3.80 lakhs & interest payment of Rs. 3453.55 lakhs.

INDUSTRY OVERVIEW

The information in this section has been extracted from various government publications and industry sources. Neither we nor any other person connected with the Issue have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. The information from the external sources may have been re-classified by us for the purpose of presentation.

Overview of the Indian Economy

India is the world's largest democracy by the population size, and one of the fastest growing economies in the world. It has grown at an average rate of 7.5% per annum during the last three years. According to CIA World Factbook, India's estimated population was 1.16 billion people in July 2009. India had an estimated GDP of approximately US$ 3,548.0 billion in 2009, which makes it the fourth largest economy in the world after the United States of America, China and Japan, in purchasing power parity terms. The following table presents a comparison of India's real GDP growth rate with the real GDP growth rate of certain other countries:

Countries*	2007	2008	2009
Australia	4.0%	2.4%	0.8%
Brazil	6.1%	5.1%	0.1%
China	13.0%	9.0%	8.4%
Germany	2.5%	1.3%	(5.0%)
India	**9.0%**	**7.4%**	**6.1%**
Japan	2.3%	(0.7%)	(5.7%)
South Korea	5.1%	2.2%	(0.8%)
Malaysia	6.2%	4.6%	(2.8%)
Russia	8.1%	5.6%	(8.5%)
Thailand	4.9%	2.6%	(3.5%)
United Kingdom	2.6%	0.7%	(4.3%)
United States	2.1%	0.4%	(2.4%)

** Represents calendar year growth rates*

(Source: CIA World Factbook, website: www.cia.gov/library/publications/the-world-factbook/index.html, accessed on February 17, 2010)

The Government of India's Eleventh Five Year Plan, which covers the period from 2007 to 2012, aims to achieve a sustainable growth rate of 9.0% with emphasis on a broad-based and inclusive approach that would improve the quality of life and reduce disparities across regions and communities. (Source: Government of India, Eleventh Five Year Plan 2007–2012, Volume I)

Overview of the Carbon Black Industry :

Carbon black is a form of amorphous carbon that has an extremely high surface area to volume ratio and it is one of the first nano-materials to find common use. Carbon black is a material, usually produced by the incomplete combustion of petroleum products.

The carbon black industry chain includes: coal, petroleum, coke, tar, naphtha, anthracene, naphthalene and other condensed-nuclei aromatics, Carbon black, tyre (the rubber industry), automobile. Carbon black has the strengthening action on rubbers and they are commonly used for improving the performances of rubbers. Currently, carbon black has become the rubber compounding ingredient with the largest consumption in the world. The carbon black consumption usually accounts for 40% - 50% of the rubber consumption. In the rubber compounding, the proportion between the rubber and carbon black is usually 2:1.

Industry Snapshot

Carbon black is essentially an oil by-product used to strengthen rubber. It is made by shooting a hot mist of oil particles into a flame, a very expensive process that has limited the number of competitors in the industry. Carbon black is a general name for a variety of trade name products such as acetylene black, attrited black, channel black, flame black, furnace black, lamp black, and thermal black. Carbon black production requires large amounts of heat. In addition to its main use in tyres, the powdery reinforcing agent is used to make inks and other everyday products.

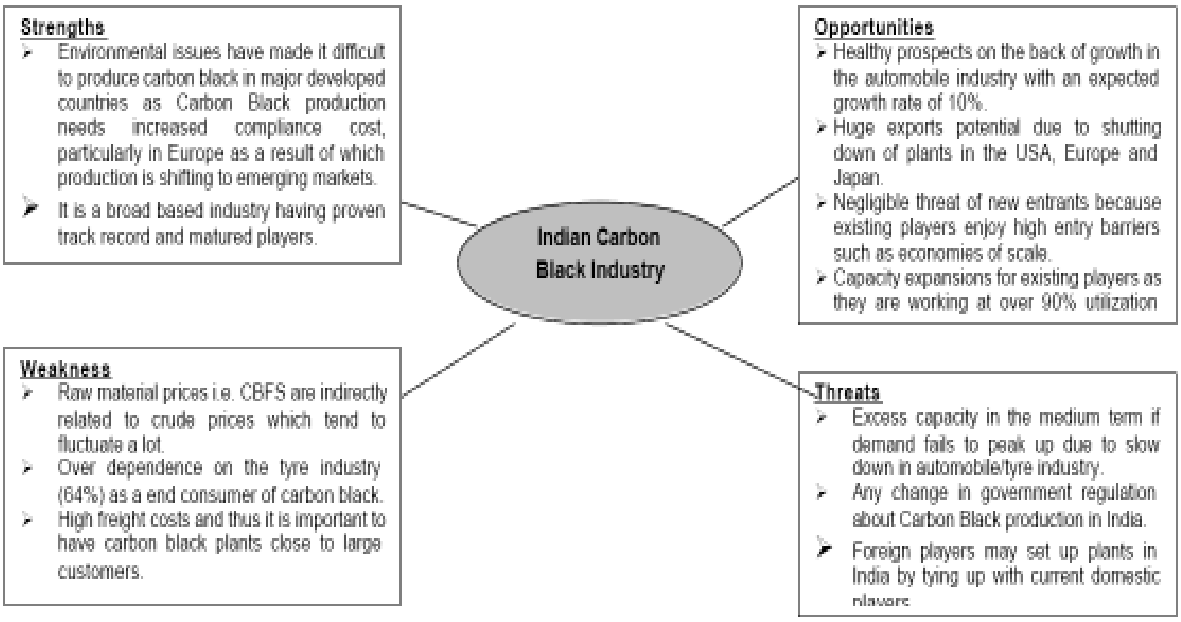
As early as 1864, carbon black was used as a printing ink and it is still employed in this sector in the late 1990s. The most revolutionary application was developed for the rubber industry, which discovered that carbon black made tyres tougher. In 1920, the rubber industry consumed only 40 percent of the carbon black produced. Today, the rubber industry is the largest market for carbon black. The major demand for carbon black is from the tyre and rubber industry. Any changes in the automobile sector will have a direct impact on the domestic and international carbon black industry.

Industry Leaders

The top three companies - Cabot Corporation, Degussa and Columbian Chemicals, currently control 50% of the global carbon black market. The Indian market is dominated by the top three players in the industry - Phillips Carbon Black, Hi Tech (Aditya Birla Nuvo) and Cabot India (a subsidiary of Cabot Corporation).

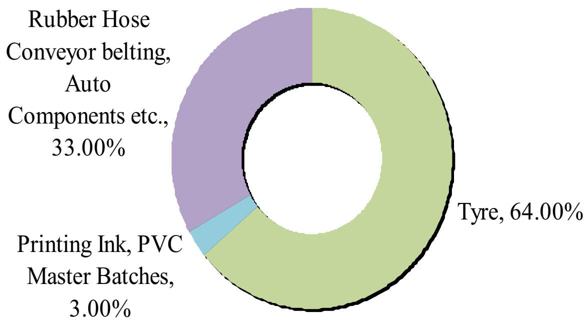
Positive outlook for carbon Black Industry :

The world carbon black industry demand is dominated by a small group of Global Tyre Companies. 75% to 80% of carbon black demand is directly related to motor vehicles. The tyre market is divided approximately into 27:73 between the OEM and Replacement market and is expected to grow. Globally, one has witnessed a shift in the tyre production capacity away from higher cost region (USA, EU) to emerging markets like China, India and South America. This in turn has resulted in a shift of carbon black production capacity to these regions. While the Global Carbon Black sales has been growing at a CAGR of 4.4% and is valued at Rs. 270 bn, the Indian Carbon Black has been growing at a CAGR of 8% and is valued at Rs. 20 bn. A SWOT Analysis of the Indian Carbon Black Industry has been provided below.



Uses of Carbon Black

The most common use i.e., 64% of carbon black is as a pigment and reinforcing force in automobile tyres. Carbon black helps in conducting heat away from the tread and belt area of the tyre, reducing thermal damage and increasing a tyre's life. Carbon black particles are also employed in some radar absorbent materials and in printer toner. A normal car tyre contains about 3.63 kg of Carbon Black.



The Asia/Pacific region of the world accounts for nearly 4.50 million tons out of10.10 million tons of global capacity of carbon black. It is also the fastest growing region with expected growth of 4.35% versus the global demand growth of 3.15% during next 4 years. India, with a capacity of 0.59 million tons is the 3rd largest producer in Asia, after China and Japan.

Present Carbon Black Demand & Capacity

Million tons

	2007 (Carbon Black)		2010	CAGR %	2015
	Demand	Capacity	Demand		Demand
Asia Pacific	4.20	4.50	5.20	4.35	6.80
North America	1.90	2.20	2.00	1.00	2.10
Western Europe	1.80	1.60	2.00	2.10	2.20
Eastern Europe	0.55	0.90	0.67	3.00	0.85
South America	0.52	0.60	0.60	2.80	0.70
Africa & M.East	0.25	0.30	0.30	3.90	0.37
Overall	9.22	10.1	10.77	3.15	13.02

- **Migration of tyre capacities from higher cost region (USA, EU) to emerging markets**
- **Freight Cost is a significant component : 5% - 10% of CB price**

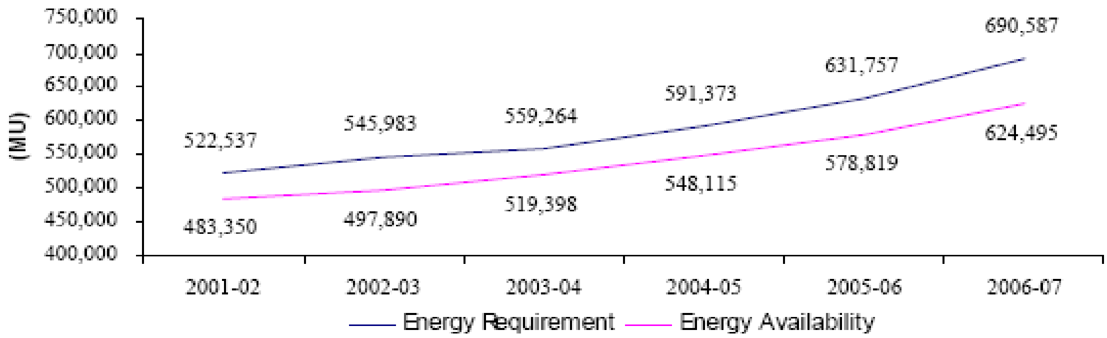
Domestic demand of carbon black in India grew by 7.5% during the last few years. The domestic industry is globally competitive, as most of the capacity is modern and product quality matches international standards. The capacity utilization being over 90%, domestic players including PCBL have embarked upon capacity expansion to meet the growing demand in domestic as well as export market.

Power Sector

Indian Power Sector

Demand Supply Scenario

The power industry in India has historically been characterized by energy shortages which have been increasing over the years. The following graph presents the gap between requirement and supply of electricity in India from fiscal year 2001- 02 (April 1, 2001 – March 31, 2002) to fiscal year 2006-07 (April 1, 2006 – March 31, 2007):



Source: CEA, Power Scenario at a Glance, October 2007

The gap between demand and supply has been increasing, leading to increased power shortages. The following table highlights the peak deficit over the years:

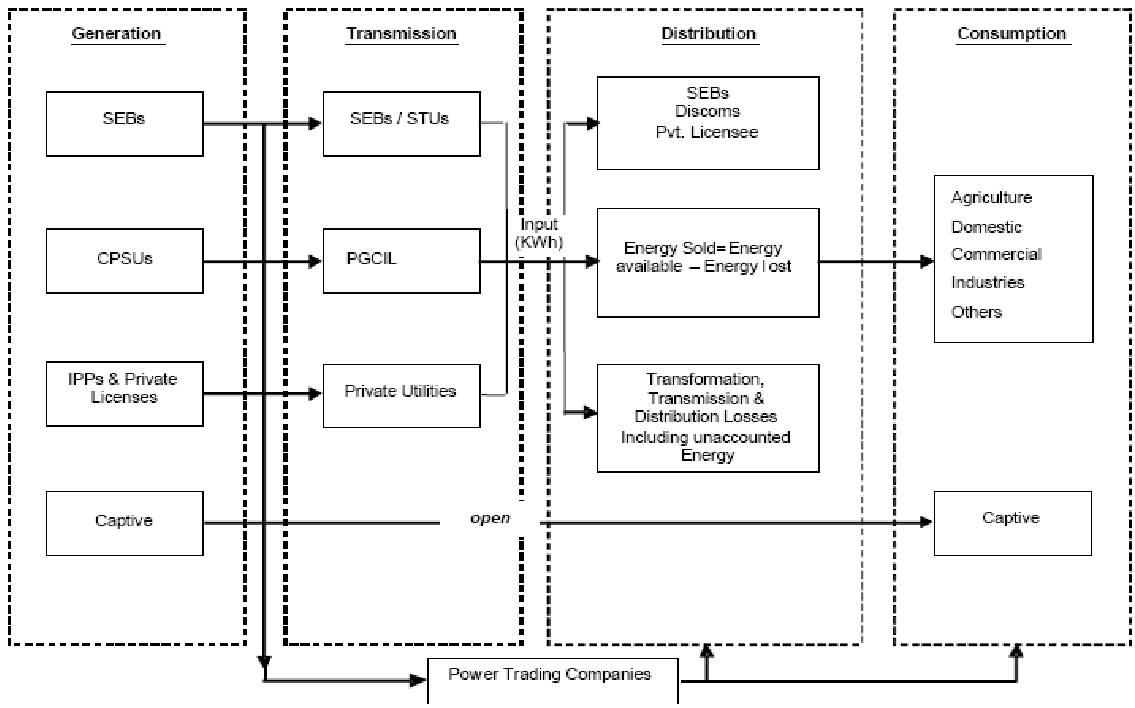
Fiscal Year	Peak Deficit (MW)
2001-02	10,293
2002-03	9,945
2003-04	9,508
2004-05	10,254
2005-06	11,463
2006-07	13,897
April-September 2007	12,409

Source: CEA, Power Scenario at a Glance, October 2007

Captive Power Generation in India

Another segment of power in India is the captive power segment. Captive power refers to power generation from a project set up for industrial consumption. According to CEA Report, July 2007, captive power capacity, at 14,636 MW, accounted for 10.8% of total installed capacity in India. The dependence on captive power has been increasing, due to the continuing shortage of power and India's economic growth. The Electricity Act 2003 provided additional incentives to captive power generation companies to grow by exempting them from licensing requirements. This has resulted in an increase in captive power capacity. Reliability of power supply and better economics are other factors driving industries to develop captive generation plants.

Structure of the Power Industry



State Gencos: State Generation Companies
CPSUs: Central Public Sector Units
IPPs: Independent Power Producers
STUs: State Transmission Unit
Discoms: Distribution Companies
PGCIL: Power Grid Corporation of India Limited

Transmission and Distribution
In India, the transmission and distribution system is a three-tier structure comprising regional grids, state grids and distribution networks. Most interstate transmission links are owned and operated by the PGCIL though some are jointly owned by the SEBs. In addition, PGCIL owns and operates many inter-regional transmission lines (which are a part of the national grid) to facilitate transfer of power from a region of surplus to one with deficit. State grids and distribution networks are primarily owned and operated by the respective SEBs or state governments (through state electricity departments). Because peak demand does not occur simultaneously in all states, situations may arise in which there is surplus of power in one state while another state faces a deficit. The regional grids facilitate transfers of power from a power surplus state to a power deficit state. The grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be transferred to a region facing power deficits, thereby facilitatinga more optimal utilisation of the national generating capacity.

In addition, the Electricity Act 2003 provides for open access, whereby any generator has non-discriminatory access to transmission lines or distribution systems, and permits the creation of alternative or parallel distribution networks. Private sector investments have been allowed in the transmission sector and foreign direct investment in this sector is being encouraged by the Government.

Power Trading
The Electricity Act 2003 recognized power trading as a distinct activity from generation, transmission and distribution. Power trading involves the exchange of power from suppliers with surpluses to suppliers with deficits.
Seasonal diversity in generation and demand, as well as the concentration of power generation facilities in the fuel-rich eastern region of India has created ample opportunities for the trading of power. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to interstate trading in electricity. Under the rules notified, the regulatory intention is the promotion of competition. Several entities have started trading operations or have applied for trading licenses.

Tariffs
Tariffs for IPPs are governed by agreements between power generation companies and processors known as PPAs. Tariffs for state sector generators are regulated by the SERCs. The Electricity Act 2003 empowers the Central Electricity Regulatory Commission ("CERC") to set the tariff of generating companies owned or controlled by the Government and other entities with interstate generation or transmission operations.

The Government has notified the National Tariff Policy ("NTP") on January 6, 2006. This NTP has aided the power reforms by outlining guidelines for multi-year tariffs, rate of returns for generation and transmission projects, tariff modalities for utilities, subsidy to consumers and cross subsidy calculations. These guidelines are not applicable however, if the tariff is fixed through a transparent bidding process.

Merchant Power Plants
Merchant power plants ("MPPs") generate electricity for sale at market driven rates in the open wholesale market. Typically, the MPPs do not have long-term PPAs and are built and owned by private developers. Merchant sales, however, include sale of power under short-term PPAs and on spot basis. Many new private sector players are beginning to adopt the MPP model for their projects to generate higher returns as opposed to selling power through a long term PPA, as the off take risk is perceived to be low in view of significant power shortages in the country. The MPPs can sell power to the power trading companies (like the Power Trading Corporation), the SEBs and industrial and bulk customers.

Indian Energy Exchange (IEX)
Indian Energy Exchange ("IEX") is India's first nation-wide automated and online electricity trading platform. IEX seeks to catalyze the modernization of electricity trade in India by allowing trading through a technology enabled platform. On June 9, 2008, IEX received Central Electricity Regulatory Commission approval for commencing operations. IEX is a demutualised exchange that will enable efficient price discovery and price risk management in the power trading market. IEX offers a broader choice to generators and distribution licensees for sale and purchase of power facilitating trade in smaller quantities. IEX enables participants to precisely adjust their portfolio as a function of consumption or generation. (Source: www.iexindia.com).

Provisions of Electricity Tariff Policy

One of the main objectives of the tariff policy is to promote competition, efficiency in operations and improvement in quality of supply and ensure availability of electricity to consumers at reasonable and competitive rates. The Tariff Policy reiterates the importance of implementing competition in different segments of the electricity industry as highlighted in the Electricity Act, 2003 and that competition will lead to significant benefits to consumers through reduction in capital costs and also efficiency of operations. It will also facilitate competitive pricing.

The policy stipulates that all future power equipment needs should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a state controlled or state-owned developer involved, in which case, regulators will need to resort to tariff determination based on norms. Even PSUs will have to bid for projects to determine tariffs after a certain period of time.

National Electricity Plan

The Electricity Act 2003, requires CEA to publish the National Electricity Plan once in every 5 years and revise the same from time to time in accordance with the National Electricity Policy. This plan serves as a roadmap for optimum growth of the power sector. Under this plan, CEA formulates short term and prospective plans for the development of electricity systems and coordinates the activities of the various planning agencies for the optimal utilisation of resources to serve the interests of the national economy.

The National Electricity Policy aims to achieve the following objectives:
• Availability of electricity for all households in the next five years;
• Power demand to be fully met by 2012. Energy and peaking shortages to be overcome and adequate reserves to be available;
• Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
• Per capita availability of electricity to be increased to over 1000 kWh by 2012;
• Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012;
• Financial Turnaround and Commercial Viability of Electricity Sector; and
• Protection of consumers' interests.

Clean Development Mechanism

The concept of reduced carbon emissions came into existence as a result of increasing awareness about global warming and the need to control the greenhouse gas ("GHG") emissions. The Kyoto Protocol is an international agreement under United Nations Framework Convention on Climatic Change, adopted to reduce GHG omissions. 156 countries which emit 61.6% of global GHG have ratified the Kyoto Protocol. Clean Development Mechanism ("CDM") is a mechanism under the Kyoto Protocol aimed at reducing GHG emissions. Certified Emission Reductions ("CERs") are issued for projects, which reduce emission of six identified GHG, in the developing nations. Each CER is equivalent to one ton of Carbon dioxide equivalent reduction that has been achieved. Developed countries that have exceeded their permitted GHG levels can reduce emissions either through domestic actions within their national boundaries or through purchase of CERs. Trading of CERs is similar to other financial instruments such as stocks in certain designated exchanges. The most prominent of these exchanges are Chicago Climate Exchange and European Climate Exchange.
All renewable energy generation projects, gas-based generation facilities and coal-based generation facilities with generation efficiency meeting certain criteria are eligible for CERs.

Future Outlook

The Ministry of Power has set a goal–Mission 2012: Power for All. Based on the 17th EPS, the total energy requirement in India will increase to 968,659 GWh by fiscal year 2012, 1,392,066 GWh by fiscal year 2017 and to 1,914,508 GWh by fiscal year 2022. This would lead to an annual electric peak load of 152,746 MW in fiscal year 2012, 218,209 MW in fiscal year 2017 and 298,253 MW in fiscal year 2022. The northern region is expected to contribute 30.1% and the western region is expected to contribute 28.4% of the overall annual electric peak load in fiscal year 2022. The Government has estimated the total investment potential of the sector at Rs. 9,000 billion for a specified period up to fiscal year 2011. This represents a significant opportunity for capacity expansion and growth for power generation companies, both in the public and the private sector. In line with the aggressive targets set by the government, a comprehensive Blueprint for Power Sector development has been prepared encompassing an integrated strategy with the following objectives:-

• Sufficient power to achieve a GDP growth rate of 8%;
• Reliability of power;
• Improved quality of power;
• Optimal power cost to ensure availability at affordable prices; and
• Commercial viability of power industry to make it attractive for private sector participation.

The Government, through the Ministry of Power, has laid out the following broad strategies to achieve these objectives:
• Power Generation Strategy – focusing on low cost generation, optimization of capacity utilization, controlling input costs, optimisation of fuel mix, technology upgrades and utilization of non conventional energy sources;
• Transmission Strategy – focusing on developing the National Grid, including interstate connections, technology upgrades and optimization of transmission cost;
• Distribution Strategy – achieving distribution reforms by focusing on system upgrades, loss reduction, theft control, consumer service orientation, quality power supply commercialization, decentralized distribution and supply for rural areas;
• Regulation Strategy – protecting consumer interests and making the sector commercially viable;
• Financing Strategy – to generate resources for required growth of the power sector;
• Conservation Strategy – to optimise the utilization of electricity with a focus on demand-side management, load management and technology upgrades to provide energy efficient equipment; and
• Communication Strategy – forming political consensus with media support to enhance public awareness.

BUSINESS OVERVIEW

Overview

Phillips Carbon Black Limited ("PCBL" or "our Company"), part of the RPG Group of Companies, was one of the pioneers of the carbon black industry in India.

Our Company, incorporated in 1960, started production from December 1962 using the oil furnace technology, the most widely accepted manufacturing process of carbon black patented by its then collaborator and world carbon black leader, Phillips Petroleum Company, USA. The collaboration with Phillips Petroleum Company ended in 1978 and our Company has since made considerable progress by virtue of continued efforts of technologists, engineers and sustained R&D activities.

In 1988 our Company entered into a technical agreement with Columbian Chemicals Company, USA, and acquired access to the modern state-of-the-art Carbon Black technology. This helped our Company in gaining flexibility, better product range, production capacity and energy conservation. The technical agreement ended in 1998.

Presently our Company has installed capacity of producing 3,60,000 Metric Tonnes Per Annum (MTPA) of Carbon Black along with green power capacity of 60.50 Mega Watt (MW).

Our Company has manufacturing facilities at 4 locations i.e., Durgapur in West Bengal, Palej and Mundra in Gujarat and Kochi in Kerala and a well-organized distribution network covering supplies to all tyre manufacturing units, tyre re-treading units and other consumers all over the country. Our Company is expanding carbon black capacity to take advantage of the growing demand and is setting up co-generation power plants to de-risk business model and bolster operating margins.

Our Company had taken advantage of the Electricity Act introduced in 2003 to set–up a 12 MW co-generation power plant (CPP) at its Palej plant during FY 2005 using the off gas emitted from its carbon black plant ("**Off Gas**").

Encouraged by the success of the Palej CPP, our Company has set up a 30 MW CPP at its Durgapur plant which commenced commercial operations from 1st April 2009. Our Company also has a 2.5 MW CPP at its plant located at Kochi, Kerala.

Our company has further completed its Greenfield project located in Mundra (Gujarat), with a carbon black capacity of 90,000 MT which has started operations from 17th October 2009 and our Company has also put up a CPP of 16 MW in Mundra which has commenced commercial operation from 24th December 2009.

To meet the growing demand of carbon black, both in the domestic and international markets, our Company has planned to further expand its carbon black capacity by 50,000 MT at Mundra. As a result, our Company's installed capacity for Carbon Black will reach to 4,10,000 MT.

Our Company has also planned to set up CPPs (using off gas) aggregating 16 MW i.e., 10 MW at Kochi and 6 MW at Mundra, and to decommission the existing 2.5 MW CPP at Kochi, Kerala. After completion of these expansions, our Company's green power generation capacity will reach 74 MW.

With the object to carve a niche in Overseas Markets our Company had also entered into a joint venture agreement with three subsidiary companies of Vinachem on 9th May 2008 for setting up a 1,15,000 MT carbon black facility and a 16MW power unit in phases in Vietnam in which our Company shall hold 80% stake through a special purpose vehicle and the three subsidiary companies of Vinachem would pick up 20% stake.

RPG Group – Business Sectors

Our Company is part of the group of companies within the RPG Group which comprises various affiliated entities controlled by the Goenka family, which directly or indirectly owns 53.89 per cent of our Company.

The RPG Group is active in various businesses: Power, Transmission, Tyres, Carbon Black, Retailing, Information Technology and Media.

The activities of the main companies within the RPG Group are presented as follows :

Business Sectors	Companies
Transmission	KEC International Ltd
Power	CESC Ltd. Noida Power Co. Ltd.*.
Tyre	CEAT Ltd. CEAT Kelani Ltd.
Retail	Spencer`s Retail Ltd.*
Carbon Black	Phillips Carbon Black Limited
Information Technology	Zensar Ltd.
Speciality	Raychem RPG* Harrison Malayalam Ltd. RPG Life Sciences
Media & Entertainment	Saregama India Ltd

* Unlisted Companies

Present and Proposed capacity expansion of our Company :

Present capacity :

	Durgapur	**Palej**	**Kochi**	**Mundra**	**Total**
Carbon Black Plant	1,40,000 MT	90,000 MT	40,000 MT	90,000 MT	3,60,000 MT
Co- generation Power Plant	30 MW	12 MW	2.5 MW	16 MW	60.50 MW

Proposed capacity:

	Kochi	**Mundra**	**Enhanced capacity upon completion across all plants**
Carbon Black Plant	-	50,000	4,10,000 MT
Co- generation Power Plant	10 MW^	6 MW	74MW

^ existing CPP of 2.50 MW will be decommissioned.

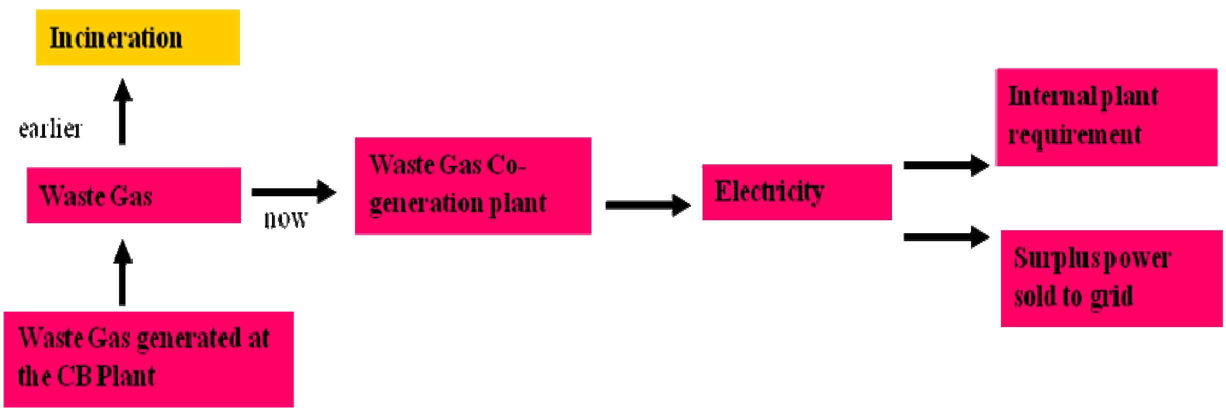
<u>Our Competitive Strengths</u>

Our principal competitive strengths are set forth below:

Converting waste gas into Power- A big opportunity:

Earlier, our Company used to emit the waste gas but now our Company is utilizing the off gas emitted while producing carbon black, to generate green power that is used for captive consumption as well as for merchant sales. This brings additional revenue and also increases the operating margin, which provides sustainable bottom-line. Using the waste gas to generate power has made our Company the first carbon black company to be eligible for carbon credits. It received Rs. 277.77 lakhs of Certified Emission Reduction (CERs) in FY08. This helped in increasing the overall EBIDTA margins. This helps our Company to increase its operating profit margins in two ways- (i) it reduces the overall power cost and (ii) the surplus power sold thereby increasing the overall margins. The power thus sold is exempt from income tax for 10 years. Between 2005 and 2012, the Clean Development Mechanism (CDM) project at Palej is expected to generate over 3.0 lakh CERs valued at Rs. 1800 lakhs at current market prices.

Our other power plants totaling to 60.50MW co-generation power plants at Durgapur, Mundra and Kochi, will also use process of waste gas from the plant and our company will gradually register themselves with Clean Development Mechanism (CDM).



One of the Leading players in Carbon Black Industry:

Currently, our Company ranks 8th in the global carbon black industry. The markets in western Europe, North America and Japan have tightened their emission norms due to which further expansions in these countries have either been stagnated or witnessing degeneration in the recent past. The cost of operating carbon plant in the aforesaid geographies is becoming prohibitive.

Ranking	Company	Capacity MMT	Ranking	Company	Capacity MMT
1	Cabot, USA	2.01	6	SID Richardson, USA	0.45
2	Evonik, Germany	1.45	7	Tokai Carbon , Japan	0.37
3	Columbian (incl DC), USA	1.13	8	PCBL, India	0.36
4	Birla Group, India	0.79	9	Omsktechuglerod, Russia	0.35
5	CSRC & Continental, Taiwan	0.74	10	Black Cat, China	0.29

Strong professional management team and motivated work force:

Our Company has been engaged in the production of Carbon Black for almost 50 years and Our Company is managed by a team of qualified and highly experienced professionals. Our Company believes that the extensive level of experience of the management team is a significant strength of our Company's business.

Strong patronage and brand value

RPG group is one of the leading industrial houses in India. It is a widely recognised brand name in India and has operations in the several key sectors of the Indian economy. Some of the RPG group companies have been operating in India for over 100 years and are involved in certain key sectors of the India economy such as Power, Transmission, Tyres, Carbon Black, Organized Retailing, Information Technology, Pharmaceuticals, Media and Plantations. We believe that our association with the RPG group has enabled us to absorb its corporate values and principles and adhere to the established corporate governance practices. We also believe that our association with the RPG Group aids us in winning new businesses and obtaining financial assistance.

Established track record and brand name

We have been present in the Carbon Black industry for several years, which, has helped us in understanding the changing needs and demands of our customers in India. With constant improvement in performance of our products, augmented with quality and recognition of our brand, we believe that we enjoy considerable brand equity and reliability in the market.

Research & Development capabilities:

Our research and development capabilities coupled with our technology and our stringent quality and testing standards allow us to offer a wide range of products which are abreast with the latest technological advancements, and help us meet the expectations and demands of our consumers and customers.

1. Specific areas in which R & D carried out by our Company :
   - PCBL has successfully developed new grades such P 1201, P842, PC501 and N134 for International and domestic market.
   - 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 and export market.
   - Higher price realisation in markets.

3. Future Plan of Action :
   1. Development of specialized grades for specialized grades for specific applications in conjunction with customers.
   2. Improved Reactor design for higher yield.

4. Expenditure on R & D: Rs. In lakhs

	31.03.2009	31.03.2008
a) Capital	----	----
b) Recurring	299.58	309.15
c) Total	299.58	309.15
d) Total R & D Expenditure as a percentage of total expenditure	0.23	0.33

Management focus on quality

Our Company has always maintained high quality with regard to its deliverables. From time to time it has received several accolades and awards for its achievement in producing high quality products. We have been using the Total Productive Maintenance and Total Quality Management techniques at our factories to match international quality standards. Our Company has it Quality Assurance Plans, and each input has to satisfy it, before sending it for production.

Geographically diverse manufacturing facilities employing innovative technologies

Our Company operates four Carbon Black manufacturing plants located in Kerala, Gujarat and West Bengal. Our Company believes it has exhibited a proven ability to manage large-scale operations, quality control mechanisms and employ innovative technologies across its four facilities. Our Company believes the cost and complexity involved in establishing such a platform represents significant barriers to entry from potential competitors. Each of our Company's plants has in place an exhaustive quality management system with dedicated on-site quality assurance teams. Our Company's plants are strategically located across India which reduces logistical costs and minimizes the risk of business interruption resulting from natural disasters and local political or labor issues. Our Company believes the overall capacity of its plants provides it with significant economies of scale and that its state-of-the-art equipment enables it to produce high quality products that meet the varying expectations of its diverse customer base.

Backward integration measures

With the commissioning of the Power plants alongside with the Carbon Manufacturing plants, our Company has de-risked the unpredictability in supply and availability of Power and also minimized its cost of production and thereby increased its operating margin. Also the sale of surplus power generated has added to the bottom line of our Company significantly.

Our Strategy

Principal elements of our strategy include the following:

Expansion to meet the upcoming opportunities

To meet the growing demand of carbon black, both in the domestic and international markets, PCBL has planned to expand its carbon black capacity by 50,000 MT at Mundra and 16 MW CPP at Mundra (6MW) and Kochi (10MW). As a result, PCBL's installed carbon black capacity will reach 4,10,000 MT and power generation capabilities will reach 74 MW after decommissioning the existing 2.5 MW CPP at Kochi.

Expansion in Overseas Market

With the object to carve a niche in Overseas Markets our Company had also entered into a joint venture agreement with three subsidiary companies of Vinachem on 9th May 2008 for setting up a 1,15,000 MT carbon black facility and a 16MW power unit in phases in Vietnam in which our Company shall hold 80% stake through a special purpose vehicle and the three subsidiary companies of Vinachem would pick up 20% stake.

Enhance market leadership

We believe that our Company has positioned itself in the market with strong marketing network as a one of the best carbon Black manufacturer. As a business strategy we would like to continue to enhance our market leadership further. We have laid a clear roadmap to achieve this by improving further production efficiencies in the manufacturing process by focusing our attention in expanding further in the domestic and international market. We would also keep continuing our focus on quality, execution and timely delivery of products and efficient after sale services maintaining a strong team oriented and customer friendly culture.

Continue to Focus on Training and Motivating Our Work Force

Our Company will strongly continue its policy of training its work force with adequate product knowledge, market knowledge and above all the application of knowledge to the industry. Our Company shall always focus on narrowing the hierarchy for free and transparent two-way communication between management and employees for better exchange of ideas, views and opinions for maintaining good competitive work atmosphere at all levels.

Cogeneration Power

Our Company took advantage of the Central Electricity Act 2003 and set up a 12 MW co-generation power plant at Baroda using the process waste gas. This resulted in substantial saving in cost of power for manufacturing Carbon Black. So our Company planned to commission co-generation power plant at all the places where its Carbon Black manufacturing facilities are located and have already commissioned a 30MW plant at Durgapur and 16MW power plant at Mundra. The revenue generated from the Power segment has grown at a CAGR of 23.34% from Rs. 826 lakhs in the FY06 to Rs. 1550 lakhs in the FY09. Using the waste gas to generate power has made our Company the first carbon black company to be eligible for carbon credits. Our Company received Rs. 277.77 lakhs of Certified Emission Reduction (CERs) in FY08. This helps in increasing the overall EBIDTA margins.

Key Milestones

Year	**Major Milestones**
1960	Incorporated on 31st March as a Public Limited Company in collaboration with Phillips Petroleum Company, USA
1962	Started production with the most widely accepted manufacturing process of carbon black with installed capacity of 14,000 MT at Durgapur
1974	Durgapur capacity enhanced to 36,000 MT
1978	Its collaboration ended with Phillips Petroleum Company, USA
1988	Entered into a technical agreement with Columbian Chemicals Company USA
1995	Durgapur capacity enhanced to 78,000 MT
1996	Acquisition of Carbon Black unit of Gujarat Carbon Ltd adding 25,000 MT (Total Capacity enhanced to 103,000 MT)
1997	Amalgamation with Carbon and Chemicals Ltd, Kochi adding 40,000 MT (Total Capacity 143,000 MT) and 2.5 MW CPP
1998	Its collaboration ended with Columbian Chemicals Company USA
1998	Durgapur capacity increased to 1,10,000 MT (Total Capacity 1,75,000 MT)
2003	Durgapur capacity increased to 1,35,000 MT (Total Capacity 2,00,000 MT)
2004	Baroda Expansion of 70,000 MT (Total Capacity 2,70,000 MT)

2005	12 MW power plant at Palej, Baroda
2009	Commencement of 30 MW Power Plant at Durgapur on 1st April, 2009
2009	Commencement of 90,000 MT Carbon Black Plant at Mundra on 17th October 2009 (Total Capacity 3,60,000 MT).
2009	Commencement of 16 MW Co-generation Power Plant at Mundra, Gujarat on 24th December, 2009 (Total Capacity 60.5 MW)

Products

Our company is the largest manufacturer and supplier of carbon black in the country catering to the needs of elastomer, plastic, paints, cables and inks manufacturing industries. The rubber industry uses a total of 95% of carbon black production while the rest is consumed by plastics, paints and dry cells. In domestic market, our company is regular supplier to all the major tyre manufacturers and has an overall domestic share of around 40%. PCBL continues to be the the undisputed leader in the field of carbon black in India. It manufactures all four soft grades for the plastic industry.

Carbon Black is broadly classified into two categories viz. **Hard Black (Tread Black) and Soft Black (Carcass Black). Hard Black** is generally used in applications demanding high abrasion resistance i.e. which comes in contact with the road and are subject to higher friction while **Soft Black** is used for applications demanding high modulus i.e. for the side wall of tyres.



Product name (as on label) : Orient Black N110, N115, N219, N220, N231, N234, N299, N326, N330, N339, N347, N351, N375, N550, N650, N660, N762, N765, N772, N774, P1201, P824, P842, P353, P435, P287 & PC501.

PCBL, is engaged in four main stages of processing i.e. Cracking, Filtering, Pelletisation, Drying. **PCBL** has capability & flexibility to produce any ASTM grade for the product**. Besides** ASTM grades, PCBL also manufactures customized product specific to a customer. In the market the products are available in three different forms of packaging - 25 Kg. Paper Bag, 500 Kg. Bulk Bag & 1000 Kg. Jumbo Bag.

Manufacturing Facilities

PCBL has four manufacturing units located in Durgapur in West Bengal, Kochi in Kerala and Palej and Mundra (Gujarat).

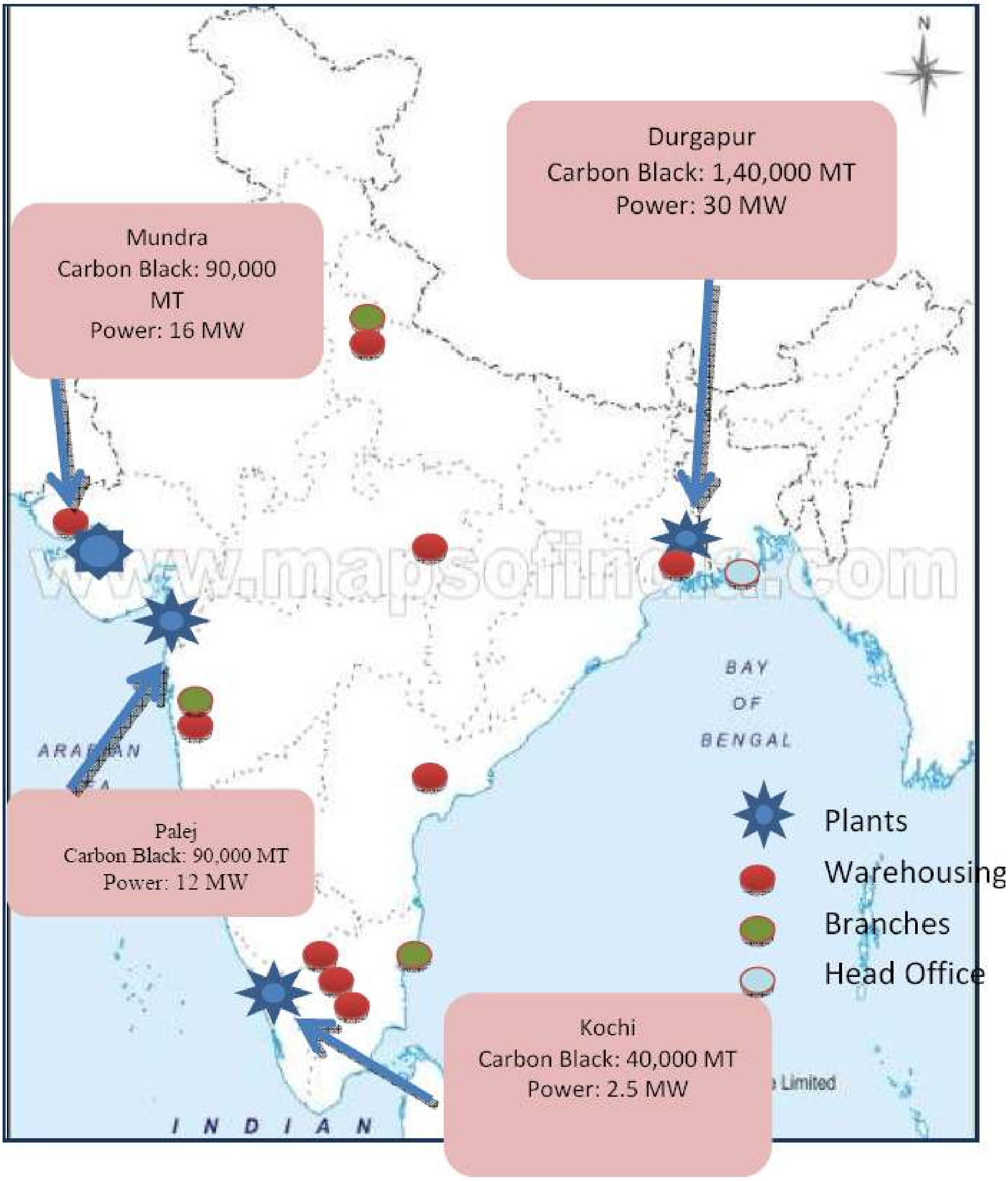
PCBL Durgapur Unit has now a production capacity of 1,40,000 MT per year with a proven capability to produce 24 grades of carbon black through successive stages of modernization and expansion. It is ISO-9001 certified, and is the only Carbon Black manufacturer in Asia to have achieved this distinction. The Durgapur unit has also received the QS-9000 in December 2000, and has initiated the Environmental Management System (EMS) activities for receiving ISO 14001 Certification. Kochi plant obtained ISO 9002 : 1994 Ceritificate in 1998, which was followed soon after by that of the Palej plant. Kochi Plant has also bagged the Environment Management System (EMS) standard accreditation under the 14001 : 1996.

PCBL`s four manufacturing plants are as follows:

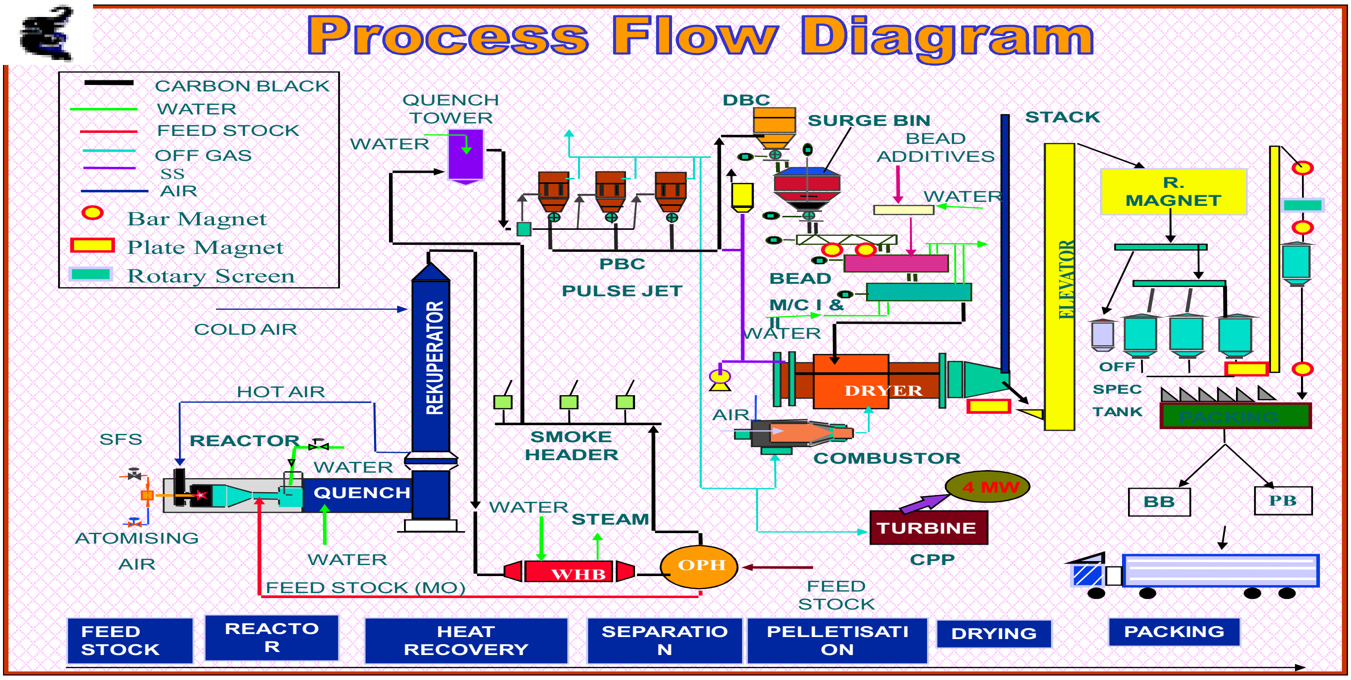
Plant	Location	Capacity Utilisation (Year ended as on 31st March)			Actual Production		
		2008	2009	2010 (Estimated)	2008	2009	2010 (Estimated)
Durgapur Plant	27, R. N. Mukherjee Road Durgapur- 713 201 Dist. Burdwan	98%	82%	91%	1,37,238	1,14,797	1,27,249
Palej Plant	National Highway No. 8 Palej : 392 220 Dist. Bharuch	99%	87%	99%	94,228	83,068	92,917
Kochi Plant	Karimugal Brahmapuram P.O. Kochi – 682 303	93.75%	71.78%	89%	38,011	32,754	35,704
Mundra Plant (new plant)*	Survey No. 47, SH-46, Village (Mokha)(Near Vadala) Mundra Dist, kutch, Gujarat - 370421	-	-	-	-	-	22,884

*capacity utilization is not available as Mundra is new plant.

Our Presence :



Manufacturing Processes



a) PCBL manufactures Carbon Black by a process known as the 'Oil Furnace Process'. Carbon Black Feed Stocks ("**CBFS**") used as raw materials are hydrocarbon oils rich in carbon content of petroleum and coal tar origin. Preheated air and oil feedstock are injected in a reactor lined with high temperature refractories, kept at a temperature of 1200°C-1600°C, where the feedstock undergoes 'cracking' or decomposition.

b) The decomposition of the feedstock is in deficiency of air and under carefully controlled conditions, results in the formation of carbon black aggregates. The reaction, which takes place in a few milliseconds, is stopped by water quench. The resultant smoke carrying carbon black is quenched with water sprays and passed through heat exchangers, which in turn is used to preheat the inlet oil and air, thus achieving conservation of energy and improving the yield.

c) The product stream i.e. smoke, is further cooled by secondary water quenching in vertical towers. It then enters bag filters where carbon black is separated from gas. The byproduct called 'off-gas' having low calorific value (around 650-700 Kcal/NM^3 average) is burnt and the heat is utilized for generation of steam for drying operation and generation of power.

d) Separated carbon black dust is pneumatically conveyed to a pelletiser where with the help of water solution and high gyrating force, pellets are formed which are dried in rotary dryers and finally stored in product storage tanks. Carbon black is packed in Paper bags/ Bulk bags.

Manufacturing Technology

Carbon Black manufacturing technology to be used in the plant is with high content of scientific research and technological development, integrated from modern science and technology achievements and produce product with high quality and added value. Below is the summary of Carbon Black manufacturing technology:

(i) In order to produce and provide solutions for nano sized particles, Carbon Black is produced under closely controlled conditions in extreme manufacturing temperatures to produce different particle sizes in a very fast reaction; lasting for few milliseconds.

(ii) The above requires proprietary manufacturing techniques and technologies perfected after years of research and development. PCBL has got patent for this technology.

(iii) The development of a Hi-Technology Reactor and equipment design requires extensive use of modern design tools like Computational Fluid Dynamics, which produce close dimensional geometries for efficient Reactors, which help to produce nano particles in a controlled range, produced at very high temperature (1,830^{o} – 1,950^{o}). The high temperatures are close to the tolerance limits of the material being used, hence making the entire process very critical.

(iv) The process is pushed to these high temperature limits to get the best efficiencies for achieving low carbon footprints and make the process environmentally friendly.

(v) Carbon Black process developed and used by PCBL has been developed on integrating, extracting and utilizing the maximum possible energy utilization from the process for fruitful use. This involves use of high temperature heat exchanging equipments, which again are based on proprietary design and use of materials with specialized proprietary metallurgy and design, based on areas of high-technology.

(vi) Use of process off-gas generated in the production process for generating of steam and power as combined heat recovery system has been perfected and mastered over the years by PCBL and is today a state-of-the-art technology where entire waste gas is used efficiently for generation of power.

(vii) High sophisticated Electronic Instrumentation system are required for monitoring and controlling the high temperature fast conversion reaction e.g. advanced Distributed Control System, infra-red pyrometers and electronic sensors for controlling this complex process.

Utility Services:

Research and Development

We have a strong focus on the research and development of products, processes and machine technology to endeavour to achieve a leading position in our market. In order to achieve this, we:

- endeavor to maintain highly trained and experienced employees
- use the latest technology available worldwide, to create high quality products;
- strive to carry on building on our strength with respect to technological edge;
- continue to develop new manufacturing & testing facilities to eliminate defects in our products; and
- provide training to our employees working.

Our management is committed to providing all necessary resources for research and development in order to achieve the above stated objectives. We are highly concentrating on the development of non conventional black, development of low hysteresis wear resistance black for tyre application, free flow environmentally friendly polymer coated/ based black and development of Dual Phase Filler (silica coated carbon black) to fulfill our customer requirement and specifications.

Quality Assurance Activities

Our quality policy aims at “fulfilling of customer's requirements through reliable products and services , meeting all regulatory requirements and through continual improvement of our business technology and processes.” We are committed to provide customer satisfaction by strictly conforming to customer requirements and specifications. An other important component in quality assurance is the improvement of manufacturing processes and adoption of many standardization and optimization procedures to maximize the yield and product quality in manufacturing carbon black. With the participation of our employees, Interlaboratory/ Proficiency Test (PT) Programs have been successfully launched. For the production of different grades of carbon black from all units approvals from both the international as well as domestic customers have been received. Our Company assured to be an environment friendly organization in the near future.

Sales and Marketing

We have a well established sales and marketing network divided into domestic and international markets and are again sub-divided into different geographic regions. PCBL is the largest player in India having highest domestic market share. It supplies to major Tyre companies, Non Tyre and speciality segment.

Domestic:

Domestic Customers have been classified as Tyre and Non Tyre. The major consumer for carbon black is the tyre industry. These are member of ATMA and produce the entire range of tyres from Truck Bus Tyres to ADV (animal drawn vehicles). PCBL supplies tyres to all major Tyre companies like Apollo, MRF Birla, Ceat etc. PCBL aims to achieve service and quality leadership and be the "Preferred Supplier". In the Non market major users are Tread rubber, Cycles tyres, V belts, conveyor belts rubber profile etc.

The domestic market is serviced through five branches located in Delhi, Mumbai, Kolkata, Kochi and Chennai. Carbon Black is a highly intensive product. Therefore an important factor in the carbon black business is proximity to the end user. In order to have a wider reach especially for retail customers, PCBL has a large network of Agents and Warehouses. Currently PCBL has its own Warehouses and several consignment agents who hold stocks all over India in New Delhi, UP, Punjab, Rajasthan, Maharashtra, Gujarat, Kerala , Tamil Nadu and Andhra Pradesh.

Export:

Overseas customers are handled by the export department at HO Kolkata. There are country specific agents who operate on behalf of PCBL for order procurement. PCBL is currently exporting to over 20 countries. With expanding its capacity PCBL`s export share is expected to rise to 30% of the total sales. With the increase in demand of our product our Company is exporting goods to the Countries like Sri Lanka, Vietnam, Malaysia and Philippines.

Specialty Black: PCBL is strategically focusing on this segment. In the Speciality Black segment, sales of the plastic master batch, printing inks, cables and paints are mainly concerned.

Competition

We sell our products in highly competitive markets. Due to the commodity nature of our products, competition in these markets is based primarily on demand and price. As a result, to remain competitive in our markets, we must continuously strive to reduce our costs of production, transportation and distribution and improve our operating efficiencies. Certain competitors may be larger than us and may have significantly greater financial resources than us. Such competitors may also benefit from greater economies of scale and operating efficiencies. Some competitors also have a broader range of products which are subject to different margin pressures which makes them less susceptible to cyclical downturns.

We believe that we are among the leading suppliers for carbon black in India, and enjoys a significant market share in this segment. We believe that we have an established brand in the carbon black segment in India.

Our major competitors in this field are Cabot in USA, Evonik in Germany, Columbian in USA, Birla in India, CSRC in Taiwan, Sid Richardson in USA, Tokai in Japan, Omsk in Russia and Black Cat in China.

Safety, Health and Environment

We believe that we comply in all material respects with local, state and central governmental occupational health and safety laws, regulations and other mandatory requirements relevant to health and safety of employees, contractors and visitors to our operational facilities.

We are committed to occupational health and safety of our workers and have a goal of zero harm. The management regularly sets health and safety targets to continually reduce risk of harm to employees, contractors and visitors to operational facilities. We maintain an occupational health and safety management system that defines guiding principles and standards for occupational health and safety performance. Appropriate safety equipment is provided to all employees, contractors and visitors to our operational facilities. Regular medical check ups and training programs for our employees and community are conducted at various operational levels. Our operational facilities are regularly audited to ensure compliance for areas in which they operate, as well as for compliance with safety management system. In addition, there are regular reports to management on our health and safety performance.

Information Technology

We have implemented integrated business management portals for planning and management of operations at our various manufacturing plants, including customer care, technical, MIS and vendor services portal to monitor critical plant & machinery, production, vendor accounts and stock of material supplied by them, finance, sales, stores, purchase, inventory, manufacturing, warehouse operations and payroll. A vast infrastructure has been built, to achieve the status of a responsive supplier, in terms of network and networking equipment for WAN and LANs, hardware and software and to provide support to the different levels of management:

Intellectual Property

Our Company has Patents Rights for the manufacture of Carbon Black by “an improved furnace process and an improved High Volume High Temperature (HVHT) Reactor for carrying out said method” and the Patent Rights is valid upto 25th September, 2018. Our Company has filed an application in connection with the registration of our Trademark Logo “Dancing Elephant” in the name of Phillips Carbon Black Limited, our Company.

Human Resource

We believe that the effective and efficient management of our human capital will be the critical differentiator. We believe that a well-trained and satisfied employee base is key to our competitive advantage. Our employees contribute significantly to our business operations.

We place a significant emphasis on the recruitment and retention of our personnel and provide continuous training for employees to achieve high quality skills. We have also adopted international best practices in managing human resources. Regular open house and skip level meetings provide a source of two-way communication with our employees. In addition, welfare amenities like a medical center, transport facilities for employees and their children and family get-togethers ensure that our employees stay healthy in both body and spirit. We have also embarked on a new talent development initiative which is aimed at building a leadership pipeline that can enhance the leaders of the caliber we require to manage our growth and diversification plans. There have been no disputes, resistance or other occurrences in connection with the employees of our company which would have a material adverse effect of our operations or profitability over the past three fiscal years.

Transportation

Transportation is an important cost element in our operations. In particular, shipping costs is a major item as large quantities of raw material and finished goods are shipped across the globe. In order to manage this, we strive to secure long term contracts with shipping agencies, which helps us assure our services at a pre-determined price. These pre-determined prices are typically valid from 6 months to a one year period depending the upon terms agreed in each agreement and prevailing market conditions. This also helps us determine what the cost of shipping will be for each order. We hire local vendors for our on road transportation services on a regular basis.

Pursuant to the Port Services Agreement the Mundra Port agreed to provide us with various services and facilities in connection with priority berthing of vessels carrying cargo and the storage of cargo in the ports operated by Mundra Port. Under the provisions of the Port Services Agreement we have agreed to ensure that a specified quantity of cargo in each financial year is handled at the ports managed by Mundra Port.

Insurance Coverage

We have insurance coverage which we consider reasonably sufficient to cover general risks associated with our operations. We maintain a wide range of insurance policies to cover our assets, risks and liabilities. At present, our operating assets, including our plants, machineries and buildings, are insured against a range of risks, including a standard fire and special perils policy for our carbon plant located at Baroda, Kochi, Mundra and Durgapur. Apart from the insurance policies obtained and maintained by Reliance General Insurance Co. Ltd. (RGICL), we also require contractors employed by RGICL to obtain and maintain insurance policies to cover risks in relation to the operational activities. RGICL also provide special insurance policies for our stock and boiler machines used in the plant.

Environment

Our Company believes that environment management is synonymous with good business practices and is committed to improve environment continuously. We strive to reduce emissions and discharges of waste which are known to have a negative effect on the environment. We have put in place procedures to ensure that our operations comply with relevant environmental regulations. We have a Health, Safety and Environment policy which reaffirms our commitment to provide a safe work place and clean environment to our employees and other stakeholders.

Being a petro-chemical industry, considerable importance has been given to preserving global resources. It is a pioneer in utilizing the waste gas produced during the process to generate power, as well as burning the waste gas in dryers to recover all sensible heat of the gas thereby saving substantial energy and reducing the pollution level.

Credit Ratings

The Credit Analysis and Research Limited (CARE) has assigned the rating of 'CARE A+' [Single A Plus] rating for the long/medium term facilities of our Company. Our Company has also been granted 'PR1+' (PR One Plus) rating to the short term facilities and also 'PR1+' (PR One Plus) to the short term debt (including Commercial Paper, MIBOR linked debentures and MIBOR linked short term loan) programme of our Company for an amount upto Rs. 50 crores.

Corporate Social Responsibility

As a responsible corporate citizen, we have strived to promote social well-being by contributing towards healthcare, education, drinking water, infrastructure and economic development. We have established the SMILE Foundation, a non governmental organisation (NGO) to carry out various corporate social responsibility activities. Further, SMILE Foundation also maintains health centres (including eye-check up , pulse polio immunization programme, screening test for Hepatitis B & C), provide education and computer knowledge especially for the children and house-wives of the employees, rural area development and operates an ambulance service too. We have initiated saplings plantations to all 4 major locations. PCBL is a member of the Affirmative Action Committee- Eastern Region with an objective of preparing the backward classes to the world of work.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Composition

The composition of the Board of Directors is governed by the provisions of the Companies Act and the Articles of Association and also by the provisions of the listing agreements with the Stock Exchanges where the Equity Shares of our Company are listed. The Articles of Association provide that the number of directors shall not be less than three or more than 12 unless otherwise approved in a general meeting.

The Managing Director of our Company are responsible for the day-to-day management of our Company under the supervision, direction and control of the Board of Directors. The term of office of the Managing Director is three years. All the directors appointed by the shareholders, including the Chairman, with the exception of the Managing Director are considered for retirement or re-election at each annual general meeting of our Company. Directors who have been on the Board of Directors for the longest period are considered first for retirement.

The following table sets out the composition of the Board of Directors as of the date of this Placement Document.

NAME	AGE	DESIGNATION	DIN	RESIDENTIAL ADDRESS	DIRECTOR SINCE
Sanjiv Goenka	49	Chairman	00074796	19 Belvedere Road, Kolkata-27	October 30th, 1986
Brij Mohan Khaitan	82	Director	00023771	10 Queens Park, Ballygunge, Kolkata-19	April 28th, 1977
Chittranjan Paul	82	Director	00009056	EC 43 Sector-1, Saltlake City, Kolkata-64	December 21st, 1989
Ram Sukhraj Tarneja	78	Director	00009395	4, Pashmina , 33A Peddar Road, Mumbai-26	October 4th, 1993
Kanwar Satyabrata Sanyal	77	Director	00009497	86 Ballygunge Place, Apartment No. 33, 4th floor, Kolkata-19	February 23rd, 1995
Paras Kumar Chowdhary	58	Director	00076807	206-B, Samudra Mahal, Worli, Mumbai-18	December 24th, 1999
Om Parkash Malhotra	78	Director	00009086	34, Kusum Apartments, 11 Gurusaday Road, Kolkata-19	December 21st, 1989
Ashok Goyal	59	Managing Director	00035392	41-Landmark, 175-Carter Road, Bandra (W), Mumbai-50	October 23rd, 2006

Brief Biographies of the Directors

Mr. Sanjiv Goenka, Chairman of Phillips Carbon Black Limited (PCBL), is Vice Chairman of RPG Enterprises. Born in 1961, Mr. Goenka is a Graduate from St. Xavier's College, University of Calcutta. A former President of CII, Mr. Goenka is also the immediate past President, Board of Governors, Indian Institute of Technology (IIT), Kharagpur. Currently, Mr. Goenka is President of All India Management Association (AIMA). He is also the Honorary Consul of Canada in Kolkata.

Mr. Brij Mohan Khaitan, is the Director of our Company. He holds a bachelors' degree in Commerce from Calcutta University. He is a renowned Industrialist having interest in Tea, Batteries and Engineering. He has great contributions to the Tea Industry with which he has been associated for over five decades. He is a Director of number of renowned Companies having diversified business interests.

Mr. C R Paul, is the Director of our Company. He did his Masters in Science and FIEE. He 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 the Govt. of India, Environment Appraisal Committee for Thermal Power Projects as a Member.

Dr. Ram S Tarneja, is the Director of our Company. He holds a bachelors' (Hons.) degree in Arts from University of Delhi. He did his Master`s in Arts from Delhi and Virginia. He did his P.h.D.in Arts from Cornell University. He was the. Managing Director of Benett, Coleman & Company Limited till May, 1991 but continues to be on the Board. He is presently the Chairman of the Jollyboard Limited, Nissin ABC Logistics Pvt. Ltd., Mohanadevi Tarneja Memorial Trust, The Filmfare Old Artistes Benevolent Fund, Pan Asian Management & Rural Research Organisation and The EFI Social & labour Research Foundation.

Mr. K.S.B Sanyal, is the Director of our Company. He did his Masters in Arts, CBIM, FIP from LONDON. He was the Chairman and Managing Director of Andrew Yule & Company Limited. He was also the Sheriff of Calcutta. He is presently associated with various Companies as independent professional Director and is a Member of Governing Body of Help Age India.

Mr. Paras Kumar Chowdhary, is the Director of our Company. He holds a bachelors' degree in Science (Honours in Physics) from a reputed University. He is also associated with the Tyre Group in the RPG Group of Industries as the President and Chief Executive Officer. He was also the President and Wholetime Director of Apollo Tyres Ltd. He is holding the post of Managing Director in Ceat Limited.

Om Parkash Malhotra, is the Director of our Company. He holds a bachelors' degree in Science (chemistry), Engg., M.I.E., M.Inst. D., F.I.I.Ch.E. He is associated with the RPG Group since 1962. He was the Wholetime Director of our Company. Under his able and valued supervision, our Company undertook the modernization of its plant at Durgapur.

Mr. Ashok Goyal, aged 59 years, is the Managing Director of our Company. He holds a bachelors' degree in Technology from IIT Kharagpur. He did his PGDBM (Post Graduate Diploma Course Business Management) from IIM, Kolkata. He has also undertaken an executive development program from London Business School. He has over 35 years of experience in the industry. He has been associated with many industries in India and abroad for more than a decade and brings with him rich international experience in the administration of industrial enterprises. viz. consumer electronics and durable, tyre, plantation, textile and EPC contracting. He has also presented many case studies on IIM`s.

BORROWING POWERS OF BOARD OF DIRECTORS

Pursuant to the provisions of Section 293(1) (d) of the Companies Act, 1956, the current borrowing powers of the Board of Directors of PHILLIPS CARBON BLACK LIMITED, as approved by the shareholders of our Company is Rs. 700crores.

Compensation of Directors

Managing Director

Managing Director of our Company, Mr. Ashok Goyal, is entitled to the following remuneration, benefits and perquisites which has been duly approved by the Board of Directors and the Remuneration Committee of the Board in their meetings held on 24th July, 2009.

Basic Salary	Rs. 3,00,000/- per month
Management Allowance	Rs. 3,00,000/- per month
Customised Allowance Pool	Rs. 92,06,000/-per annum
Perquisites	(i) Leave Travel Allowance for self and family once in a year as per Rules of our Company (ii) Medical insurance, personal accident insurance and club fees (iii) Provision for use of car for personal use will be billed to the Managing Director (iv) Provision for telephone at residence - personal long distance calls will be billed to the Managing Director
Other benefits	(i) Our Company will make suitable contribution towards Provident fund, Superannuation fund and Annuity fund are exempt from Income Tax Act. (ii) Gratuity will be payable as per Rules of our Company (iii) Leave as per Rules of our Company including encashment of unavailed leave at the end of the tenure (iv) any other allowance/perquisites/benefits allowed by the Board of Directors within the applicable limits. (iv) In the event of absence or inadequacy of profits, Mr. Goyal will be entitled to draw the Minimum Remuneration.
Performance bonus/incentive	As per the recommendation of the Board Of Directors

The Remuneration Committee determines and recommends to the Board, the compensation of the Managing Director. All non-executive directors are paid sitting fees for attending the meetings of the Board and its Committees.
The table below sets forth the details of the remuneration paid to the Managing Director and sitting fees paid to the non-executive Directors during the year ended 31/3/2009:

(Rs. In Lakhs)

Name of the Director	**Nature of the Directorship**	**Salary & Allowances**	**Contribution to PF, SPF, Gratuity**	**Value of Perquisites**	**Sitting Fees**	**Total**
Mr. Ashok Goyal	Managing Director	152.55	9.97	4.15	-	166.67
Mr. Sanjiv Goenka	Non-Executive Chairman	-	-	-	0.80	0.80
Mr. B. M. Khaitan	Non-Executive Independent Director	-	-	-	0.40	0.40
Mr. C. R. Paul	Non-Executive Independent Director	-	-	-	1.40	1.40
Dr. Ram S. Tarneja	Non-Executive Independent Director	-	-	-	0.60	0.60
Mr. K. S. B. Sanyal	Non-Executive Independent Director	-	-	-	1.10	1.10
Mr. Paras K. Chowdhary	Non-Executive Director	-	-	-	-	-
Mr. O. P. Malhotra	Non-Executive Independent Director	-	-	-	1.25	1.25

Corporate Governance Report

Our Company believes that it is in compliance with the requirements of applicable corporate governance regulations, including the listing agreement between our Company and the Stock Exchanges (the "**Listing Agreement**") in respect of the constitution of the Board of Directors and the Committees of the Board of Directors. The corporate governance framework is based on an effective independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and constitution of the committees of the Board of Directors, as required under applicable law. As a listed company we are in compliance with the applicable provisions of the Listing Agreement pertaining to corporate governance, including the appointment of independent directors and constitution of Committees. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. Our Company's management provides the Board of Directors with detailed reports on a periodic basis.

There are 3 Board level committees of our Company , which have been constituted and function in accordance with the relevant provisions of the Companies Act, the Listing Agreement. These are (i) Audit Committee, (ii) Shareholders'/ Investors'Grievance Committee and (iii) Remuneration Committee. A brief note on each Committee, its scope and composition is given below:

(i) AUDIT COMMITTEE

The committee consists of 5 directors out of which 4 are Non- Executive Independent Directors and 1 is Non-Executive Director

Name of the Director	**Designation**	**Designation in the Committee**
Mr. K. S. B. Sanyal	Non - Executive & Independent	Chairman
Mr. Paras K.Chowdhary	Non -Executive	Member
Mr. C. R. Paul	Non –Executive & Independent	Member
Mr. O. P. Malhotra	Non –Executive & Independent	Member
Dr. Ram Sukhraj Tarneja	Non –Executive & Independent	Member

Brief terms of reference

i. Overseeing our Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
ii. Review of the quarterly, half-yearly and annual financial statements before submission to the Board
iii. Reviewing with the management, external and internal auditors, the adequacy of internal control systems
iv. Reviewing the adequacy of internal audit function
v. Reviewing our company's financial and risk management policies.
vi. Discussing with internal and external auditors any significant finding and follow-up on such issues
vii. Review of key accounting matters and developments and
viii. Other matters as directed by the Board

(ii) Remuneration Committee

The Remuneration Committee has been constituted to review and recommend to the Board of Directors the remuneration payable to the Managing Director. The Remuneration Committee comprises of 3 Directors, all of whom are Non - Executive Independent Directors, namely, Mr. K.S.B.Sanyal, Mr. C. R. Paul and Mr. O. P. Malhotra.

The Non-Executive Directors do not draw any remuneration from our Company except the sitting fees for Board and Committee meetings.

Name of Director	Nature of Directorship	Designation
Mr. K. S. B. Sanyal	Non-Executive & Independent	Chairman
Mr. C. R. Paul	Non-Executive & Independent	Member
Mr. O. P. Malhotra	Non-Executive & Independent	Member

Brief terms of reference

The Committee evaluates, recommends, and approves to the Board, the remuneration of the Managing Director to bring about the objectivity in determining the remuneration package while striking a balance between the interest of our company and the shareholders. The Remuneration Committee takes into account experience, qualification and prevailing industry practices before giving its recommendation to the Board. On recommendation of the Remuneration Committee, the Board decides remuneration to be paid to Managing Director, subject to approval of shareholders in terms of provisions of the Companies Act, read with Schedule XIII thereof. The Committee aims towards rewarding, on the basis of performance, reviewed on a periodical basis.

(iii) Shareholders'/ Investors' Grievance Committee

As a measure of good corporate governance, to focus on shareholders' grievances, to strengthening Investors relations and in pursuance to the requirements of the listing agreement, the Investor Grievance Committee is reconstituted at regular intervals at the meeting of the Board of Directors for the purpose of specifically looking into matters relating to shareholders and Investors grievances such as non receipt of declared dividends, non receipt of balance sheets, etc. There are no such complaints received from the shareholder for the year ended March 31, 2010. Our Company has also received confirmations from National Stock Exchange of India Limited and Bombay Stock Exchange Limited that no investor complaints are pending against our Company as on March 31, 2010. The committee consists the following directors as its members:

Name of the Director	Designation	Designation in the Committee
Mr. C. R. Paul	Non –Executive & Independent	Chairman
Mr. K. S. B. Sanyal	Non - Executive & Independent	Member

Brief terms of reference

The Committee reviews the status of Investors' grievances on a periodical basis. All the complaints and/or grievances as received from the Investors are promptly responded to and satisfactorily replied. The business usually transacted by the Committee is as follows:

i. Approval of share transfers and transmissions
ii. Taking note of the re-materialisation of shares
iii. Issue of share certificates on re-materialisation
iv. Taking actions on routine complaints of shareholders
v. To do any allied matter(s) out of and incidental to these functions and such other acts assigned by the Board.

Share Transfer Committee

The Share Transfer Committee consists of 3 members, namely, Mr. Ashok Goyal, Managing Director, Mr. Altaf Jiwani, Chief Financial Officer, and Mr. Kaushik Mukherjee, Company Secretary are is severally authorised to approve share transfers in physical mode.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Pursuant to Regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992, our Company has implemented a code of internal procedures and conduct for the prevention of insider trading to comply with such regulations.

DISCLOSURES

a. **Disclosures on materially significant related party transactions i. e. transactions of our 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 our Company at large.**

   None of the transactions with any of the related parties were in conflict with the interest of our Company for the year ended 31/3/2009.

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

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

c. **Details of non-compliance by our Company, penalties, strictures imposed on our Company by Stock Exchanges or Securities and Exchange Board of India or any Statutory Authority, on any matter related to the capital markets, during the last three years.**

   Our Company has complied with various rules and regulations prescribed by the Stock Exchange, Securities and Exchange Board of India or any other Statutory Authority related to the capital markets during last three years. No penalty or strictures have been imposed by them on our Company

d. **Whistle Blower Policy:**

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

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

   All mandatory requirements have been complied. The non-mandatory requirements are partly adopted and the rest will be implemented by our Company as and when required and/or deemed necessary by the Board.

f. **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 2009 was placed before the Board of Directors of our Company in its meeting held on 28th April, 2009.

Interest of Directors

All the Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them.

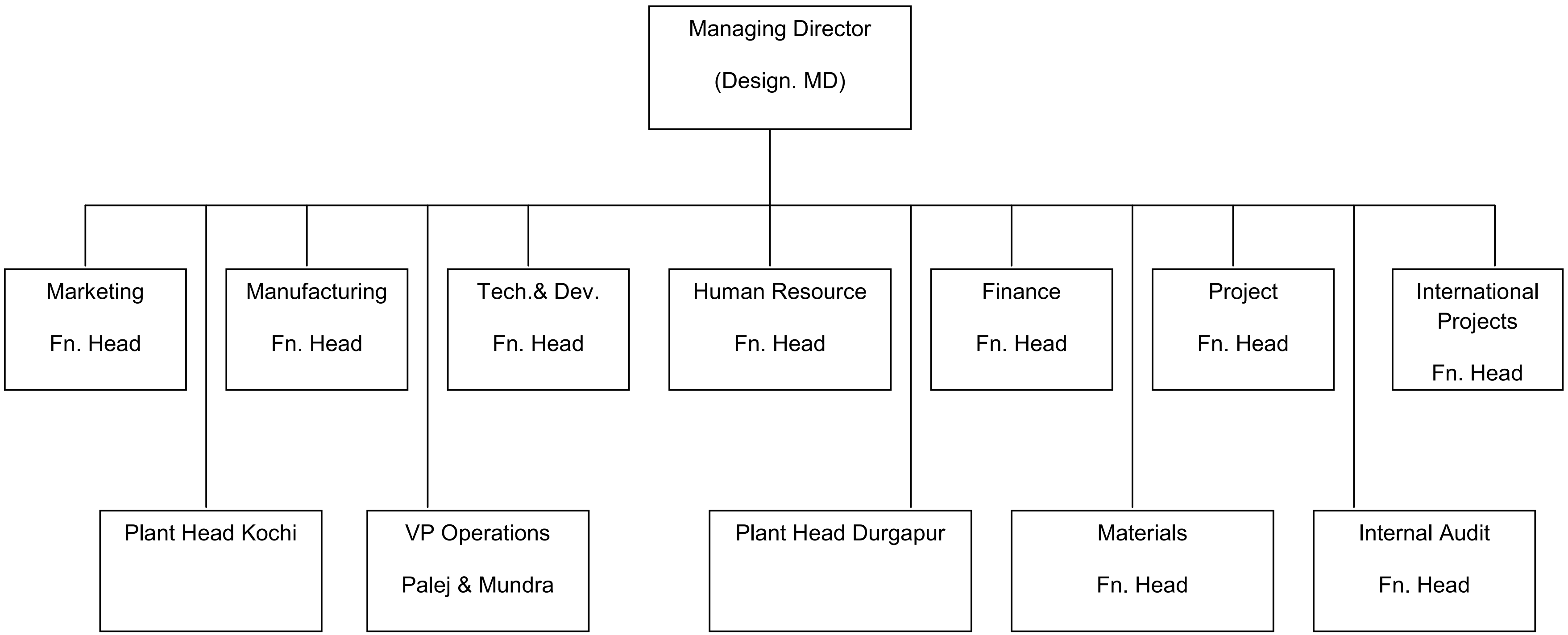
The Directors, including independent Directors, may also be regarded as interested in the Equity Shares, if any, held by them and also to the extent of any dividend payable to them and other distributions in respect of the Shares.

The Directors, including independent Directors, may also be regarded as interested in Shares held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners and trustees. The shareholding of Directors is mentioned in section titled 'Shareholding of Directors'.

All of the Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective capacity. Except as otherwise stated in this Placement Document in "***Notes to Accounts***", our Company has not entered into any contract, agreements, arrangements during the preceding two years from the date this Placement Document in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them.

Our Company's Directors have not taken any loan from our Company

ORGANISATION STRUCTURE



Key Managerial Personnel:

In addition to our Board as set forth above, the following form a part of our senior management

Sr. No.	Name	Designation	Qualification	Years of experience
1	Altaf Jiwani	Function Head-Finance	BE with Masters in Management Studies	20 Years
2	Monojit Mukherjee	Function Head-Marketing	PGDBA from IIM, Ahmedabad,	26 Years
3	Vinod Taneja	Functional Head-Technology & Development	B.TECH from IIT, Kanpur	31 Years
4	Sabyasachi Bhattacharya	Function Head-Human Resource Management	MBA from IISWBM	17 Years
5	Utpal Saha	Functional Head-International Projects	B.TECH from IIT, Delhi	30 Years
6	Girish Singh	VP Operations-Palej & Mundra	Bachelor from BHU	30 Years
7	K. Muralidharan	Plant Head- Kochi	BE(Chemical)	17 Years
8	N. L. Lee	Plant Head-Durgapur	Chemical Engineering from Columbia University, USA and MBA from Houston Baptist University, USA.	27 Years
9	Ganesh Narayanswami	Functional Head-Materials and Feed Stocks	M.S. from Wright State University, Dayton, OH M.Sc. from University of Mumbai	23 Years
10	B. Chatterjee	DGM-Internal Audit	B. Com(H), CA	32 Years

MEANS OF COMMUNICATION

The un-audited financial results on quarterly basis and limited review by the auditors in the prescribed format are supposed to be taken on record by the Board of Director at its meeting within one and two months respectively of the close of every quarter and the same are to be furnished to all the stock Exchanges where our Company's shares are listed. The results are also required to be published within 48 hours in the Newspapers. Our Company, in compliance of the requirements, has furnished the same to the Stock Exchanges within the prescribed time. The results are also published in the Newspapers viz. Business Standard all editions and Aaj Kal in Bengali (local) language. Our Company's web site is www.pcblltd.com where the quarterly / annual results and other statutory & non-statutory information are displayed.

Regulation & Policy

Our Company is involved in the production of carbon black and our Company has to comply with certain laws which are applicable to its business which has been briefly discussed herein below. However, the regulations set out below are not exhaustive. The following discussion details the important laws and regulations, which govern our Company's business

A. Business Related Laws

Legislation relating to Petroleum and Natural Gas:

The Ministry of Petroleum and Natural Gas is the principal regulator of exploration and production of oil and natural gas in India and is responsible for regulating exploration, production, distribution, marketing, import, export and pricing of petroleum resources, including crude oil and natural gas.

The primary legislation dealing with petroleum is the Petroleum Act, 1934. The act deals with the import, transport, storage, production, refining and blending of petroleum. The Petroleum Act empowers the Central Government to make rules for the import, transportation, storage, deliver and dispatch of petroleum, production, refining and blending of petroleum, which are deal with in detail under the Petroleum Rules, 2002. No person is allowed to deal with petroleum without having a valid license for the same.

Further, the Ministry of Petroleum and Natural Gas has prescribed Oil Industry Safety Directorate ("**OSDI**") Standards, which are technical safety requirements approved by a special council under the Ministry of Petroleum and Natural Gas to ensure safety in the industry. These safety standards include procedures for handling hazardous chemicals, inspection procedures for various equipment, fire protection facilitates and fire proofing methods, emergency preparedness plans etc.

B. Commercial Laws

Our Company has to comply with various commercial laws, some of which are given below.

Municipal Laws:

The Municipal Laws of various states are applicable to our Company in so far as certificate of enlistment (Trade Licence) of name is concerned.

The Shops and Establishments Acts ("S&E Acts"):

Our Company is governed by various Shops and Establishments Acts as applicable in the states where it has offices. The S&E Acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of, *inter alia*, registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. The S&E Acts apply to local areas as notified by the government of each state and mandates registration of shops and establishments. The S&E Acts prohibit the employment of children and regulate the employment of young persons and women in shops and establishments. Further, there are provisions dealing with payment of wages to employees and leave with pay. There are various regulations that need to be observed to ensure the health and safety of the employees. The S&E Acts provide for penalties for the contravention of its various provisions and enhanced penalty in case of previous conviction.

The Electricity Act, 2003:

The Electricity Act, 2003 (hereinafter referred to as the "**Act**") was enacted with effect from June 10, 2003 repealing and replacing all the three Acts i.e., Indian Electricity Act, 1910, Electricity (Supply) Act and Electricity Regulatory Commissions Act, 1998. The Act seeks to provide for demarcation of the roles of generation, transmission and distribution to provide for individual accountability of each. Some of the major provisions of the Act include inter alia the following:

1. de-licenses generation, makes captive generation freely permissible;
2. provides open access for transmission, distribution and trading;
3. specifies technical standards, grid standards and safety requirements; and
4. introduces power trading as a distinct activity from power generation, transmission and distribution.

C. Employment and Labour related regulations

Our Company has to comply with the labour laws prevailing in the country, which are relevant to the employees and also to contract labours who are engaged by the contractors employed by our Company.

A brief synopsis of the labour laws that are applicable to our Company are as follows**:**

The Factories Act, 1948

The Factories Act, 1948 ("**Factories Act**") defines a factory to cover any premises which employs or employed on any day in previous 12 months ten (10) or more workers and in which the manufacturing process is carried on with the aid of power and any premises where there are at least twenty (20) workers even though there is no electricity aided manufacturing process being carried on. The Factories Act which is a social legislation provides that an occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in case of a company, any of the directors, must ensure the health, safety, welfare, working hours, leave and other benefits for workers employed in factories. It was enacted primarily with the object of protecting workers from industrial and occupational hazards. Under this statute, an approval must be granted prior to the setting up of the factory and a license must be granted post the setting up of the same, by the Chief Inspector of Factories. In case of contravention of any provision of the Factories Act or rules framed there under, the occupier and the manager of a factory may be punished with the imprisonment for a term of up to two (2) years or with a fine of up to Rs. 100,000 or with both, and in case of a contravention continuing after conviction, with a fine of up to one thousand rupees per day of the contravention.

The Contract Labour (Regulation and Abolition) Act, 1970:

The Contract Labour (Regulation and Abolition) Act, 1970 applies to those establishments where twenty (20) or more workmen are employed or were employed on any day of the preceding twelve (12) months as contract labour and to every contractor or sub contractor who employs or who employed twenty (20) or more workmen on any day of the preceding twelve (12) months, provided they were not employed in the core activities as notified. The legislation seeks to regulate the working conditions of the contract labour and to provide for its abolition in certain cases. This statute provides that any employer seeking to employ contract labour must register his establishment to the appropriate authority, which is the Joint Labour Commissioner of that particular state.

Employee's State Insurance Act, 1948

The Employees State Insurance Act, 1948 is applicable to all factories and to such establishments as the Central Government may notify, unless a specific exemption has been granted. The employers in such factories and establishments are required to pay contributions to the Employees State Insurance Corporation, in respect of each employee at the rate prescribed by the Central Government. Companies which are controlled by the Government are exempt from the aforesaid requirement if the employees are receiving benefits which are similar or superior to the benefits prescribed under the Employees State Insurance Act, 1948.

Employee's Provident Funds and Miscellaneous Provisions Act, 1952

Under the Employee's Provident Funds and Miscellaneous Provisions Act, 1952, compulsory provident fund, family pension fund and deposit linked insurance is payable to employees in factories and other establishments for their benefit. The legislation provides that an establishment employing more than twenty (20) persons, either directly or indirectly, in any capacity whatsoever, is either required to constitute its own provident fund or subscribe to the statutory employee's provident fund. The employer of such establishment is required to make a monthly contribution to the provident fund equivalent to the amount of the employee's contribution to the provident fund, subject to a minimum contribution of 12% of the basic wages, dearness allowance and retaining allowance, if any payable to each of the employees.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972 an employee in a factory is deemed to be in 'continuous service' for a period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock out or cessation of work not due to the fault of the employee, or the employee has worked at least two hundred and forty (240) days in a period of twelve (12) months or one hundred and twenty (120) days in a period of six (6) months immediately preceding the date of reckoning. An employee, who after having completed at least five (5) continuous years of service in an establishment resigns, retires, or is disabled due to an accident or disease, is eligible to receive gratuity. To meet this liability, employers of all establishments to which the legislation applies are liable to contribute towards gratuity.

The Trade Unions Act, 1926

The Trade Unions Act, 1926 was enacted to provide for the registration of trade unions and for defining the law in relation to trade unions. This legislation sets out the procedure for registration of trade unions and also provides the rights and liabilities of registered trade unions. The statute also provides immunity to registered trade unions from civil suits in certain cases. This legislation is of great significance for those organizations whose workers have organized and formed registered trade unions.

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 provides the machinery and procedure for the investigation and settlement of industrial disputes and for providing certain safeguards to the workers. The Industrial Disputes Act aims to improve the service conditions of industrial labour. When a dispute exists or is apprehended, the appropriate government is empowered to refer to the dispute to an authority mentioned under the Industrial Dispute Act in order to prevent the occurrence or continuance of the dispute. Reference may be made to a labour court, tribunal or arbitrator, as the case may be, to prevent a strike or lock out while a proceeding is pending. Wide powers have been given to the labour courts and tribunals under the Industrial Disputes Act while adjudicating a dispute to grant appropriate relief such as modification of contract of employment or reinstate workmen with ancillary relief.

The Indian Boilers Act, 1923:

The Indian Boilers Act, 1923 and the rules made thereunder are meant to regulate and ensure proper design, manufacture, operation and maintenance of boilers, in order to prevent safety hazards. This legislation requires that any boiler in use, in India, must be certified or registered and that no boiler may function without the same.

Minimum Wages Act, 1948:

This is an Act to regulate the payment of wages to certain classes of employed persons. State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment up to six months or a fine up to Rs.500 or both.

Public Liability Insurance Act, 1991

Under the Act, every owner of a facility is required to take out, before he starts handling any hazardous substance, one or more insurance policies providing for adequate coverage in case of any accidents which involve death or injury to any person (other than a workman) or damage to any property due to the aforementioned accident. The Act specifies the kind and extent of coverage the owner of a facility is expected to provide for.

Workmen's Compensation Act, 1923

The Workman's Compensation Act, 1923 provides for remedies in the event of personal injury sustained by a workman by accident during his employment. In such cases, as per the Act, his employer would be liable to pay him compensation. However, no compensation is required to be paid if the injury did not disable the workman for three days. Where death results from the injury the workman is liable to be paid the higher of fifty per cent of the monthly wages multiplied by the prescribed relevant factor (which bears an inverse ratio to the age of the affected workman) or Rupees Eighty Thousand. Where permanent total disablement results from injury, the workman is to be paid the higher of sixty per cent of the monthly wages multiplied by the prescribed relevant factor or Rupees Ninety Thousand.

The Industrial Employment (Standing Orders) Act, 1946 (the "Standing Orders Act")

The Standing Orders Act requires every industry in which one hundred or more workmen are employed and every industry wherein less than one hundred employees are employed which is notified by the government to submit standing orders, containing the conditions of employment in the industry, to a certifying officer. Such standing orders must include provisions dealing with various matters relating to employment, such as attendance and termination of employment, set out in Schedule I of the Standing Orders Act. Once submitted, the standing orders shall be certified by the certifying officer after hearing representations from the representatives of the workmen or trade union of the industry and the employer. The certified standing orders must be posted in a prominent place in the establishment by the employer. The Standing Orders Act also lays down certain penalties for contravening the provisions of the Standing Orders Act.

D. Environment Related Regulations

As our Company is engaged in the manufacturing of carbon black, environment laws are applicable to its manufacturing units, which would broadly include the following:

The Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 (the "**EPA**") is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Government of India with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for *inter alia*, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution.

The Water (Prevention and Control of Pollution) Act, 1974

The Water (Prevention and Control of Pollution) Act, 1974 ("**Water Act**") prohibits the use of any stream or well for disposal of polluting matter, in violation of standards set down by the State Pollution Control Board ("**SPCB**"). This statute provides that prior permission from the relevant SPCB is required for the setting up of any industry, which is likely to discharge effluents.

The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specification and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981, aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

This statute seeks to prevent and abate the level of air pollution and grants certain powers to the SPCB to ensure the same. Under the provisions of this legislation, every facility has to obtain a consent order from the relevant SPCB in order to carry on its industrial operations. The SPCB is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipments to be installed.

Under the Air Act, the Central Pollution Control Board has powers, inter alia, to specify standards for quality of air, while the State Pollution Control Boards have powers, inter alia, to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

Hazardous Wastes (Management and Handling) Rules, 1989:

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Boards. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 (the "Rules")

The Rules prescribe a specific responsibility on the occupier of any facility that deals with hazardous chemicals during any industrial activity to identify potential accidents and hazards, and to take adequate steps to prevent accidents involving such hazardous chemicals and provide persons working on the facility with adequate knowledge of safety procedures regarding the hazardous chemicals. An on-site and off-site emergency plan is to be created by the occupier in case of accidents or emergencies. Further, the occupier is also required to prepare a safety report for submission to the appropriate authority at least 90 days before commencing any activity involving the hazardous chemicals. In case of major accidents, the occupier is required to forthwith inform the appropriate authority of the details of such accident. The schedules to the Rules provide inter alia, an indicative list of chemicals along with the criteria relating to toxicity and flammability of the same.

Kyoto Protocol and Carbon Credits

The Kyoto Protocol is a protocol to the International Framework Convention on Climate Change with the objective of reducing greenhouse gases (**"GHG"**) that cause climate change. The Kyoto Protocol was agreed on December 11, 1997 at the third conference of the parties to the treaty when they met in Kyoto, and entered into force on February 16, 2005. India ratified the Kyoto Protocol on August 22, 2006. The Kyoto Protocol defines legally binding targets and timetables for reducing the GHG emissions of industrialized countries that ratified the Kyoto Protocol. Governments have been separated into developed nations (who have accepted GHG emission reduction obligations) and developing nations (who have no GHG emission reduction obligations). The protocol includes flexible mechanisms' which allow developed nations to meet their GHG emission limitation by purchasing GHG emission reductions from elsewhere. These can be bought either from financial exchanges, from projects which reduce emissions in developing nations under the Clean Development Mechanism ("**CDM**"), the Joint Implementation ("**JI**") scheme or from developed nations with excess allowances. Certified Emission Reduction and Emission Reduction Unit are certificates generated from emission reduction projects, under the CDM for projects implemented in developing countries, and under JI for projects implemented in developed countries, respectively. These mechanisms are introduced within the Kyoto Protocol.

E. Fiscal Regulations

Central Excise

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Additionally, the Central Excise Tariff Act, 1985 prescribes the rates of excise duties for various goods.

Value Added Tax Act ("VAT Act")

Value Added Tax (**"VAT"**) is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT, is essentially a consumption tax applicable to all commercial activities involving sale of goods, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number.

Central Sales Tax Act

The tax on sale of goods is governed by the provisions of the Central Sales Tax (**"CST"**) Act, or the state legislations depending upon the movement of goods pursuant to such sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the CST Act. On the other hand, when the taxability of an arrangement of sale of goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/VAT legislations in place within the states

The Income Tax Act, 1961

The Income Tax Act provides that any company deducting tax must apply to the assessing officer for the allotment of a tax deduction account number. Furthermore, the legislation requires every tax payer to apply to the assessing officer for a Permanent Account Number.

Importer Exporter Code

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/divisions/ units/factories.

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and prospective Investors are assumed to have appraised themselves of the same from our Company or the Book Running Lead Manager. Prospective Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. For further details, see the sections "Distribution of Shares", "Distribution and Solicitation Restrictions" and "Transfer Restrictions"

Qualified Institutions Placements

The Issue is being made in reliance upon Chapter VIII of the SEBI Regulations mechanism of Qualified Institutions Placement ("**QIP**"), pursuant to which an Indian listed company may issue and allot Equity Shares/Fully Convertible Debentures/Partly Convertible Debentures or any other security (excluding warrants) which are convertible into or exchangeable with equity shares at a later date in a QIP to QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, provided that:

- A special resolution approving the QIP has been passed by its shareholders
- equity shares of the same class of such company are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders to pass the special resolution; and
- such company complies with the minimum public shareholding requirements set out in the listing agreement with the Stock Exchanges.

Our Company has received in-principle approvals from BSE on April 19th 2010 and from NSE and CSE on April 20th 2010 respectively under Clause 24(a) of the Listing Agreement for the listing of the Equity Shares on the Stock Exchanges. We have also filed a copy of the Preliminary Placement Document and the Placement Document with the Stock Exchanges.

There is a minimum pricing requirement under the SEBI Regulations. The Offer price of the Equity Shares shall not be less than the average of the weekly high and low of the closing prices of the related equity shares of such issuer quoted on the stock exchange during the two weeks preceding the relevant date.

The 'relevant date' referred to above means the date of the meeting in which the board of our Company or the committee of directors duly authorised by the board of our Company decides to open the proposed Issue; and the 'stock exchange' means any of the recognised stock exchanges in which the equity shares of the Issuer of the same class are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

At least 10% of the equity shares issued to QIBs must be allotted to mutual funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs.

QIBs are not allowed to withdraw their Bids after the closure of the Issue.

Equity shares must be allotted within twelve months from the date of the shareholders resolution approving the QIP. The equity shares issued pursuant to the QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations. The Preliminary Placement Document Placement Document is a private document provided to select Investors (not more than 49) through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of Investors. A copy of this Placement Document is required to be filed with the SEBI for record purposes within 30 days of the allotment of the securities.

Pursuant to the provisions of Section 67 of the Companies Act, for a transaction that is not a public offering, an invitation or offer can not be made to more than 49 persons.

The minimum number of allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to Rs.2.5 billion; and
- five, where the issue size is greater than Rs.2.5 billion.

No single allottee shall be allotted more than 50% of the issue size. QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. The aggregate of the proposed qualified institutional placement and all previous qualified institutional placements made in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year. The issuer shall furnish a copy of this Placement Document to each stock exchange on which its equity shares are listed.

Securities/ Equity Shares allotted to a QIB pursuant to a QIP shall not be sold/ transferred for a period of one year from the date of allotment, except on a recognized stock exchange in India.

Our Company has received in-principle approvals from BSE on April 19th 2010 and from NSE and CSE on April 20th 2010 respectively under Clause 24(a) of the Listing Agreement for the listing of the Equity Shares on the Stock Exchanges. We have also filed a copy of the Preliminary Placement Document and the Placement Document with the Stock Exchanges.

Issue Procedure

1. Our Company and the Book Running Lead Manager shall circulate the serially numbered Preliminary Placement Document and the Placement Document & the Bid-cum Application Form either in electronic form or physical form to not more than 49 QIBs.

2. The BRLM shall deliver to such QIBs Bid Cum Application Form. The list of QIBs to whom the Bid cum Application Form is to be delivered shall be determined by the Book Running Lead Manager in consultation with our Company. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person

3. QIBs may submit their Bid cum Application Form including any revision thereof, during the bidding period to the Book Running Lead Manager.

4. QIBs will be required to indicate the following in the Bid Cum Application Form:

a) Full Official name of the QIB to whom Equity Shares are to be Allotted;

b) Number of Equity Shares applied for;

c) Price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit Bid cum Application Form at Cut-off Price (i.e. the Offer price of the Equity Shares which shall be finalized by our Company in consultation with the Book Running Lead Manager at or above the Floor Price); and

d) The details of the depository account(s) to which the Equity Shares should be credited.

Note: Each sub-account of an FII, other than a sub-account which is a foreign corporate or foreign individual, will be considered as an individual QIB and separate Bid cum Application Forms would be required from each such sub-account. FIIs or sub-accounts of FIIs, are required to indicate the SEBI FII/sub-account registration no. in the Bid cum Application Form

5. Once a duly filled Bid cum Application Form is submitted by a QIB, such Bid cum Application Form constitutes an irrevocable offer and cannot be withdrawn after the Closing Date. The Bid may be revised till Closing Date, for which the QIB will have to revise the Bid in a Revision Form available with BRLM. Revision Forms received after the closure of the Issue on Closing Date by giving intimation to the Stock Exchanges, shall not be considered as valid and the original Bid will stand. Upon the receipt of duly completed Bid cum Application Form, the BRLM shall issue the CAN to the applicants. The Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given intimation of such date.

6. Based on Bid cum Application Forms received from the QIBs who have received serially numbered Preliminary Placement Document, our Company shall decide (i) the price at which the Equity Shares will be offered ("**Offer price**"), which shall be at or above the Floor Price and; (ii) the number of Equity Shares to be issued, in each case, in consultation with the BRLM. Our Company shall notify the Stock Exchanges of the Offer Price. On determination of the Offer Price, each QIB to whom an allocation shall be made shall be sent Confirmation of Allocation Note ("**CAN**"). The dispatch of the CAN shall be deemed a valid, binding and irrevocable contract for the QIBs. Each CAN shall contain details of the number of Equity Shares Allocated to the QIB, the payment instructions, including details of the amount payable by the QIB for the allotment of Equity Shares in its name, and the date applicable to the respective QIB on which payment of the application monies is required to be made in respect of the Equity Shares. The decision of our Company and the Book Running Lead Manager in this regard shall be at their sole and absolute discretion.

7. The Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.

8 QIBs shall make payment of the entire application monies to the designated bank account of our Company by the Pay-In-Date as specified in the CAN sent to the respective QIBs.

9. Upon receipt of the application monies from the QIBs, the Board of Directors or a duly constituted committee of our Company will approve Allotment of the Equity Shares pursuant to a Board resolution. Our Company shall not allot Equity Shares to more than 49 QIBs to whom an invitation or offer has been made. Our Company will inform the Stock Exchanges of the details of the Allotment.

10. After adopting the Allotment resolution and prior to crediting the Equity Shares into the Depository Participant Accounts of the QIBs, our Company shall apply for listing approval of the BSE, NSE and CSE for listing of the Equity Shares.

11. After receipt of the listing approval of the BSE, NSE and CSE, our Company shall credit the Equity Shares into the Depository Participant accounts of the QIBs in accordance with the details submitted by the QIBs in the Bid cum Application Form.

12. Our Company shall then apply for the final trading and listing permissions from the Stock Exchanges.

13. The Equity Shares that have been allotted and credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing permissions from the Stock Exchanges.

14. The Stock Exchanges shall notify the final trading and listing permissions, which are ordinarily available on their websites, and our Company shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to those QIBs to whom the Equity Shares have been allotted. Our Company and the Book Running Lead Manager shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non receipt. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations, and not otherwise excluded pursuant to Regulation 86 of Chapter VIII of the SEBI Regulations, are eligible to invest.

(i) a mutual fund, venture capital fund and foreign venture capital investor registered with the Board;
(ii) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board;
(iii) a public financial institution as defined in section 4A of the Companies Act, 1956;
(iv) a scheduled commercial bank;
(v) a multilateral and bilateral development financial institution;
(vi) a state industrial development corporation;
(vii) an insurance company registered with the Insurance Regulatory and Development Authority;
(viii) a provident fund with minimum corpus of twenty five crore rupees;
(ix) a pension fund with minimum corpus of twenty five crore rupees;
(x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
(xi) insurance funds set up and managed by army, navy or air force of the Union of India;

Please note that pursuant to amendments to the SEBI Regulations, a sub-account that is a foreign corporate or foreign individual is no longer included under the definition of a QIB.

Under Regulation 86 of Chapter VIII of the SEBI Regulations, no allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of our Company.
For this purpose, any QIB who has all or any of the following rights shall be deemed to be a person related to the promoters:

- rights under a shareholders' agreement or voting agreement entered into with promoters of our Company or
- persons related to the promoters of our Company;
- veto rights; or
- the right to appoint a nominee director on the Board of our Company,
- unless a QIB has acquired any of these rights in its capacity as a lender to our Company and such QIB does not hold any shares in the Company.

FIIs are permitted to participate through the portfolio investment scheme. FIIs are permitted to participate in the Issue, subject to compliance with all applicable laws and such that the shareholding of the FII does not exceed the specified limits as prescribed under the applicable laws in this regard.

No single FII can hold more than 10% of the post Issue paid-up capital of our Company. In respect of an FII investing in our Equity Shares on behalf of its sub accounts, the investment on behalf of each sub account shall not exceed 10% of our Company's total issued capital or 5% of the total issued capital of our Company in case such sub account is a foreign corporate or an individual.

Our Company and the Book Running Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after this Placement Document is filed with the Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code.

As per the SEBI Regulations, A minimum of 10% of the Equity Shares in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Book Running Lead Manager who are QIBs may participate in the Issue in compliance with applicable laws.

Bid/Issue Programme

BID/ISSUE OPENED ON	**Friday, April 23rd 2010**
BID/ISSUE CLOSED ON	**Wednesday, April 28, 2010**

Application and Bidding

Bid cum Application Form
QIBs shall only use the serially numbered Bid cum Application Form supplied by the Book Running Lead Manager in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in accordance with the terms of the Preliminary Placement Document or the Placement Document.

By making a Bid (including the revision thereof) for Equity Shares pursuant to the terms of the Preliminary Placement Document & the Placement Document, each QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections and paragraphs **"Notice to Investors – Representation by Investors", "Distribution and Solicitation Restrictions" and "Transfer Restrictions"**

a. the QIB confirms that it is a Qualified Institutional Buyer ("**QIB**") in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations, have a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

b. the QIB confirms that it is not a promoter and is not a person related to the promoters, either directly or indirectly, and its Bid does not directly or indirectly represent the promoter or promoter group or persons related to the promoters of our Company;

c. the QIB confirms that it has no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of our Company other than that acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the promoters;

d. the QIB has no right to withdraw its Bid after the Bid Closing Date;

e. the QIB confirms that if allotted Equity Shares pursuant to this Placement Document, it shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the Stock Exchanges;

f. the QIB confirms that the QIB is eligible to Bid and hold Equity Shares so allotted and together with any Equity Shares held by the QIB prior to the Issue and the QIB further confirms that the holdings of the QIB, do not and shall not, exceed the level permissible as per any regulations applicable to the QIB;

g. the QIB confirms that the Bid would not eventually result in triggering an open offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

h. that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the allotment to the QIB or such group of QIBs shall not exceed 50% of the aggregate amount of the Issue. For the purposes of this statement:

   (i) the expression “belongs to the same group” shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
   (ii) “Control” shall have the same meaning as is assigned to it under Clause (c) of sub-regulation (1) of Regulation 2 of the Takeover Code;;

i. The QIB shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above. The submission of an Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Offer price for its share of Allotment (as indicated by the CAN), and becomes a binding contract on the QIB, upon issuance of the CAN by our Company in favour of the QIB.

Bids by Mutual Funds

The Bids made by the asset management companies or custodian of MFs shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme/fund of a mutual fund will have to submit separate Bid-cum-Application Form.

In case of a MF, a separate Bid can be made in respect of each scheme of the MF registered with SEBI and such Bids in respect of more than one scheme of the MF will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by MFs:

No MF scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No MF under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. We and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Placement Document. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under the applicable laws and regulations.

Submission of Bid cum Application Form

All Bid cum Application Forms shall be duly completed including price and the number of Equity Shares Bid. All Bid cum Application Forms duly completed along with copy of the PAN card shall be submitted to the BRLM. The Bid cum Application Form shall be submitted within the bidding Period to the Book Running Lead Manager either in electronic form or through physical delivery at the following address:

VC CORPORATE ADVISORS PRIVATE LIMITED

31, Ganesh Chandra Avenue
2nd Floor, Suite No. 2C, Kolkata-700 013
Ph: (033) 2225 3940/3941/4116
Fax: (033) 2225 3941
Web Site: www.vccorporate.com
E-mail: - mail@vccorporate.com
Contact Person: Mr. Anup Kumar Sharma

The BRLM shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Building of the Book

QIBs shall submit their Bids (including the revision of their bids) through the Bid cum Applications Form within the Bidding Period to the Book Running Lead Manager who shall maintain the Book.

Price discovery and allocation

Our Company, in consultation with the BRLM, shall finalise the Offer Price which shall be at or above the Floor Price. After finalisation of the Offer price, our Company shall have updated the Preliminary Placement Document with the Issue details and file the final Placement Document with the Stock Exchanges.

Method of Allocation

Our Company shall determine the allocation in consultation with the Book Running Lead Manager in compliance with Chapter VIII of the SEBI Regulations.

Bids received from QIBs at or above the Offer Price shall be grouped together to determine the total demand. Any allocation to all such QIBs will be made at the Offer Price. Allocation shall be decided by our Company in consultation with the Book Running Lead Manager on a discretionary basis for a maximum of 49 Investors.

Allocation to Mutual Funds for up to a minimum of 10% of the aggregate amount of the Issue shall be undertaken subject to valid Bids being received at or above the Offer Price.

THE DECISION OF OUR COMPANY AND THE BOOK RUNNING LEAD MANAGER IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION, EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE OFFER PRICE. NEITHER OUR COMPANY NOR THE BOOK RUNNING LEAD MANAGER ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees for each qualified institutional placement shall not be less than:

- two, where the issue size is less than or equal to Rs.2.5 billion; and
- five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be allotted more than 50% of the aggregate amount of the Issue Size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes same group 'or common control' see ―***Application Process—Application* Form.**

The maximum number of Allottees of Equity Shares shall not be greater than 49 Allottees. Further, the Equity Shares shall be allotted within 12 months from the date of the shareholders resolution approving the Issue.

Confirmation of Allocation Notes (CAN)

Based on the Bid cum Application Forms received, our Company and the Book Running Lead Manager will decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable by them for Allotment of the Equity Shares in their respective names shall be notified to such Investors. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date ("**Designated Date**"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective QIBs.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery alongwith the serially numbered CAN.
The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Book Running Lead Manager and to pay the entire Offer Price for all the Equity Shares allocated to such QIB.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE,

ELIGIBLE SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Each scheme or fund of a mutual fund will have to submit separate Bid cum Application Forms. Demographic details like address, bank account etc. will be obtained from the Depositories in accordance with the demat account details given above.

By submitting the Bid cum Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, "*Notice to Investors-Representation by Investors*" and **further that such QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.**

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated /allotted to them pursuant to this Issue.

Company Account for Payment of Application Money

Our Company has opened a Escrow bank account with ICICI Bank Limited, acting as the Escrow Agent (the ―**Escrow Cash Account**) in terms of the arrangement between our Company, the Book Running Lead Manager & the Escrow bank. The QIBs will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CANs.
If the payment is not made favoring the Escrow Cash Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Company, in consultation with the Book Running Lead Manager has the right to reallocate the Equity Shares at the Offer price among existing or new QIBs at its sole and absolute discretion, subject to compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions
The payment of application money shall be made by the QIBs in the name of ― "Phillips Carbon Black Limited -QIP Escrow Account" as per the payment instructions provided in the CAN.
QIBs may make payment through cheque or electronic fund transfer.

Note- Payment of the amounts through outstation cheques are liable to be rejected.

Designated Date and Allotment of Equity Shares
1. The Equity Shares will not be allotted unless the QIBs pay the Offer price to the Escrow Cash Account as stated above.

2. Subject to the satisfaction of the terms and conditions of the Placement Agreement, our Company will ensure that the Allotment of the Issue Shares (as such term is defined in the Placement Agreement) is completed by the Designated Date provided in the CAN for the QIBs who have paid the aggregate subscription amounts as provided in the CANs.

3. In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act, 1996.

4. The Company reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

5. Post Allotment and credit of Equity Shares into the QIBs Depository Participant account, our Company will apply for final trading permission on the Stock Exchanges.

6. In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by our Company or the Book Running Lead Manager.

7. The Escrow Agent shall not release the monies lying to the credit of the Escrow Cash Account to our Company, until such time as our Company delivers to the Escrow Agent documentation (i) a certified true copy of a resolution of the Board of Directors or a duly constituted committee thereof issuing and allotting the Shares pursuant to the Issue; and (ii) certified true copies of the in principle approval under clause 24(a) of the listing agreement received from Bombay Stock Exchange Limited and The National Stock Exchange of India Limited for listing of the Shares.

Submission to the SEBI
Our Company shall submit the Placement Document to the SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Right to Reject Applications

Our Company, in consultation with the Book Running Lead Manager, may reject Applications, in part or in full, without assigning any reasons whatsoever. The decision of our Company and Book Running Lead Manager in relation to the rejection of Applications shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares pursuant to the Issue shall be only in a dematerialised form (i.e., not in the form of physical certificates but to be fungible and to be represented by the statement issued through the electronic mode).

a. A QIB applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
b. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.
c. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
d. The trading of our Equity Shares would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.
e. Our Company shall not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Bid cum Application Form or on the part of the QIBs.

PLACEMENT

Placement Agreement

The Book Running Lead Manager has entered into an agreement with our Company, pursuant to which the Book Running Lead Manager has agreed to use its reasonable efforts to procure QIBs to subscribe to such number of our Company‘s Equity Shares as may be agreed among the Company and the Book Running Lead Manager, pursuant to Chapter VIII of the SEBI Regulations outside the U.S., in reliance on Regulation S under the Securities Act, and within the U.S. to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act), pursuant to section 4(2) of the Securities Act.

The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to certain conditions and termination provisions in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

The Preliminary Placement Document and the Placement Document have not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of Investors, other than QIBs.

The BRLM (or their Affiliates), for their own accounts, may have entered or enter into asset swaps, credit derivatives or other derivative transactions, or may have purchased or purchase, or may have been granted or be granted, options, convertible bonds or other securities, in each case relating to the Equity Shares, prior to or at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLM may, currently or in the future, hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the BRLM may also purchase Equity Shares and be allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes.

Lock-up

Our Company has agreed with the Book Running Lead Manager, that it shall not, and shall not announce an intention to, without the prior written consent of the Book Running Lead Manager during the period commencing on the date of the Placement Agreement and ending 45 days after the date of Allotment of the Equity Shares pursuant to the Issue, directly or indirectly:

a. issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares;

b. enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares;

c. deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility; or

d. announce any intention to enter into any transaction described in (a), (b) or (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to (i) the Issue Shares; (ii) any Equity Shares to be issued upon the exercise of an option under any employee stock option plans or schemes existing on the date hereof and as described in the Preliminary Placement Documents and (iii) issue of warrants and Equity Shares pursuant to the approval of the Shareholders who have by way of postal ballot on April16, 2010, approved the Preferential Issue of upto 12,50,000 warrants convertible into equal number Equity Shares at a floor price of Rs. 196/- calculated in accordance with Chapter – VII of the SEBI Regulations for a sum of not exceeding Rs. 2450 lakhs to the Promoter / Promoter Group of our Company.

The Promoters and Promoter Group of our Company have agreed with the Book Running Lead Manager, that without the prior written consent of the Book Running Lead Manager, each of them will not, and will not announce any intention to, during the period commencing on the date of the Placement Agreement and ending 45 days after the date of Allotment of the Equity Shares pursuant to the Issue, directly or indirectly, issue, offer, lend, sell, contract to sell, pledge, encumber, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale, lend or otherwise transfer or dispose of any Equity Shares, including but not limited to any options or warrants to purchase any Equity Shares, or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, Equity Shares or enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or deposit any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or which carry the rights to subscribe for or purchase Equity Shares, in any depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility, provided that the restrictions contained above would not apply to any sale, transfer or disposition of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares to the extent required under applicable law or regulation, or arising out of the enforcement of any pledges of Equity Shares held by the Promoters and Promoter Group of our Company existing as on the date of the Placement Agreement or which may be required in connection with pledges created in the future, in connection with any borrowings of our Company provided that the Promoters and Promoters Group of our Company may transfer Shares and other securities amongst the members of the Promoters and Promoter Group of our Company who have been classified as Promoter Group as per filing made under Clause 35 of the Listing Agreement to the Stock Exchanges or newly inducted as constituents of Promoter Group by Our Company.

Certificate of registration of VC CORPORATE ADVISORS PRIVATE LIMITED

The certificate of registration of VC Corporate Advisors Private Limited as a Category 1 Merchant Banker obtained from the Securities and Exchange Board of India in the name of VC Corporate Advisors Private Limited *is* valid up to January 11, 2013.

DISTRIBUTION AND SOLICITION RESTRICTIONS

The distribution of this Placement Document and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Placement Document are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to us or the Equity Shares in any jurisdiction where action for the purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under the section "***Transfer Restrictions***".

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **"Relevant Member State"**) an offer to the public of any Equity Shares may not be made in that Relevant Member State, except that the Equity Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the BRLM for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for the publication by our Company or any BRLM of a Prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires Equity Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the BRLM and our Company that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. For the purposes of this provision, the expression **"an offer of Equity Shares to the public"** in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Issue and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **"Prospectus Directive"** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the BRLM has agreed to use its reasonable endeavours, by the inclusion of appropriate language in the relevant offer documents, to procure that such financial intermediary will be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined who are not financial intermediaries or in circumstances in which the prior consent of the BRLM has been obtained to each such proposed offer or resale.

Each subscriber for or purchaser of Equity Shares in the Issue located within a Member State of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. Our Company, the BRLM and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the BRLM of such fact in writing may, with the consent of the Underwriters be permitted to subscribe for or purchase Equity Shares in the Issue.

Hong Kong

This Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly, (i) Equity Shares may not be offered or sold in Hong Kong, by means of any document, any Equity Shares other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). The Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Equity Shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Equity Shares, namely a person who is: (a) a corporate (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except: (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (2) where no consideration is given for the transfer; or (3) by operation of law.

United Arab Emirates

The Equity Shares may not be, have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities, and the Equity Shares may not be, have not been and will not be offered, sold or publicly promoted or advertised by it in the Dubai International Financial Centre other than in compliance with any laws applicable in the Dubai International Financial Centre governing the issue, offering or the sale of securities.

United Kingdom

The Equity Shares cannot be promoted in the United Kingdom to the general public. No invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the **"FSMA"**) in connection with the issue or sales of any Equity Shares may be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act); and (b) outside of the United States in reliance on Regulation S under the Securities Act. Each purchaser of the Equity Shares offered by this Placement Document will be deemed to have made the representations, agreements and acknowledgements as described under "*Transfer Restrictions*".

India

The Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than QIBs.

TRANSFER RESTRICTIONS

Due to the following restrictions, Investors are advised to consult legal counsel prior to making any resale, pledge or transfer of our Company's Equity Shares.

Purchasers of the Equity Shares in this [Issue] are not permitted to sell the Equity Shares for a period of one year from the date of allotment except through the Stock Exchanges.

Subject to the foregoing:

U.S. Offer Transfer Restrictions

Each purchaser of the Equity Shares in the United States will be required to make representations substantially as follows:

- It (A) is a "**qualified institutional buyer**" (as defined in Rule 144A) and (B) is aware that the sale of the Equity Shares to it is being made in reliance on exemptions under the Securities Act.

- It is acquiring the Equity Shares for its own account or for the account of one or more eligible U.S. investors (i.e., qualified institutional buyers), each of which is acquiring beneficial interests in the Equity Shares for its own account.

- It understands that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S and on a recognized stock exchange, as applicable.

- It acknowledges that the Company, the BRLM, and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Company and the BRLM.

Global Offer Transfer Restrictions

Each purchaser of Equity Shares pursuant to Regulation S under the U.S. Securities, by accepting delivery of this Placement Document and our Company's Equity Shares, will be deemed to have represented and agreed as follows:

- It is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.

- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act.

- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and it is not a U.S. person and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is not a U.S. person and is located outside the United States (within the meaning of Regulation S).

- It agrees (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer agrees) that prior to the expiration of 40 days after the closing of the Global Offer, it (or such customer) will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction.

- It acknowledges that our Company, the BRLM and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with above-stated restrictions shall not be recognized by our Company.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE, and has not been prepared or independently verified by us or the BOOK RUNNING LEAD MANAGER or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, a s well as by the GoI acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act, 1956 ("SCRA") and the Securities Contracts (Regulation) Rules, 1957 ("SCRR"), which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992 granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies, to call for information, to undertake inspections and conduct inquiries and audits of stock exchanges, self-regulatory organisations, intermediaries and other persons associated with the securities market. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional Investors ("FIIs"), credit rating agencies and other capital market participants.

The Companies Act as amended has empowered the SEBI to administer certain provisions of the Companies Act, in so far as they relate to issue and transfer of Securities and non-payment of dividends by listed public companies as well as companies intending to list their securities on any recognised stock exchange in India and to conduct inspection of the companies records in respect of matters relating to issue and transfer of securities. The power to prosecute defaulting companies with respect to the same has also been vested with SEBI.

SEBI has also set up a committee for the review of Indian securities laws, which has proposed a draft Securities Bill.

The draft Securities Bill, if enacted in its present form may result in a substantial revision in the laws relating to securities transactions in India. The Companies Bill 2008 was originally introduced in the Fourteenth Lok Sabha on October 23, 2008. However, it has been re-introduced in the Fifteenth Lok Sabha on August 3, 2009 with certain modifications as the Companies Bill, 2009 and the Companies Bill, 2008 has lapsed due to the dissolution of the Fourteenth Lok Sabha

Listing

The listing of securities on a recognized Indian stock exchange is regulated by the Companies Act, the SCRA, the SCRR, the SEBI Act and various regulations issued by the SEBI and the Equity Listing Agreements of the respective stock exchanges. Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of an issuer's obligations under such equity listing agreement or for any other reason, subject to the issuer receiving prior notice of the intent of the stock exchange and upon granting of a hearing in the matter. In the event that a suspension of a company‘s securities continues for a period in excess of three months, the company may appeal to the Securities Appellate Tribunal (the ―**SAT**) established under the SEBI Act to set aside the suspension. The SEBI has the power to veto stock exchange decisions in this regard. The SEBI also has the power to amend such equity listing agreements and the by-laws of the stock exchanges in India.

Clause 49 of the Equity Listing Agreement provides that if non-executive chairman of a listed company is a promoter or is related to promoters of the company or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

The Equity Listing Agreement requires that all listed companies are required to ensure a minimum level of public shareholding at 25% of the total number of issued shares of a class or kind for the purpose of continuous listing.

The exceptions to this rule are for companies that (i) are offering or have offered shares to the extent of at least 10% of the issue size in terms of Rule 19(2)(b) of the SCRR or; (ii) have 20 million or more outstanding shares; and (iii) have a market capitalization of Rs.10,000 million or more and the minimum public shareholding to be maintained by such companies is 10%. Consequently, a listed company may be delisted from the stock exchanges for not complying with the above-mentioned requirement. The SEBI has, pursuant to a notification dated June 10, 2009, notified the SEBI (Delisting of Equity Shares) Regulations, 2009 as amended (the ―**Delisting Regulations**).

The Company is subject to continuing disclosure requirements of publishing contractual financial statements on a quarterly basis and simultaneously inform the Stock Exchanges of any published price sensitive information. Any non-compliance with the terms and conditions of Listing Agreement entered unto with Stock Exchanges may entitle delisting of Equity Shares of the Company from all or any stock exchange on which the Equity Shares are listed.

The Delisting Regulations are applicable to voluntary or compulsory delisting of equity shares of a listed company from all or any of the recognized stock exchanges. Following a compulsory delisting, a company, its whole time directors, its promoters and the firms promoted by any of them cannot directly or indirectly access the securities market or seek listing of any equity shares for a period of ten years from the date of such delisting. Companies that voluntary delist, are not permitted to re-list within five years from the date of such delisting.

No company can apply for permission to delist: (i) pursuant to a buy back of equity shares or preferential allotment made by a company or (ii) unless a period of three years has elapsed since the listing of that class of equity shares on any recognized stock exchange. Further, if any instruments issued by the company which are convertible into the same class of equity shares that are sought to be delisted, are outstanding, delisting is disallowed.

A company may delist its equity shares from all or the only recognized stock exchange where it is listed only if the public shareholders (who are defined under the Delisting Regulations to include the holders of equity shares other than the promoters‘, persons acting in concert‘, as such terms are defined under the Takeover Code) holding equity shares of the class which are sought to be delisted are given an exit opportunity in accordance with the Delisting Regulations. However under the Delisting Regulations, such exit opportunity need not be given to the public shareholders in cases where the securities continue to be listed on a stock exchange having nationwide trading terminals. Presently, only the NSE and the BSE have nationwide trading terminals. When an exit option is required, the Delisting Regulations require a promoter or an acquirer intending to delist securities of a company to obtain the prior approval of the board of directors of such company and the shareholders by a special resolution, make a public announcement in the manner provided for in the Delisting Regulations and make an in principle application to and obtain final approval of the stock exchanges where it proposes to delist its equity shares from, within one year of the passing of the shareholders resolution for such delisting. However, the special resolution must be acted upon if, and only if, the votes cast by the public shareholders in favour of the proposal is at least two times the number of votes by the public shareholders against it. A proposed delisting where no exit option is required to be given does not require a shareholders resolution and a resolution of the board of directors is sufficient.

The price of the equity shares which are proposed to be tendered are determined through a 'book building process' under the Delisting Regulations. The floor price for delisting will be determined by calculating the average of the weekly high and low of the closing prices during the last twenty six weeks or two weeks preceding the date on which the recognized stock exchange was notified of the board meeting in which the delisting proposal was considered. The offer must fulfill the criteria prescribed in the Delisting Regulations to be successful. Upon closure of open offer process, all shareholders whose equity shares are verified will be paid the final price stated in the public announcement within ten working days.

As per the Delisting Regulations, the promoter will not be bound to accept the equity shares at the offer price determined by the book building process. In the event the promoter decides not to accept the offer price so determined, (a) the promoter shall not acquire any equity shares tendered pursuant to the offer and the equity shares deposited or pledged by a shareholder pursuant to paragraphs 7 or 9 of Schedule II of the Delisting Regulations shall be returned or released to him within ten working days of closure of the bidding period; (b) the company shall not make the final application to the recognized stock exchange for delisting of the equity shares; (c) the promoter may close the escrow account opened under Regulation 11 of the Delisting Regulations; and, (d) in a case where the public shareholding at the opening of the bidding period was less than the minimum level of public shareholding required under the listing agreement, the promoter shall ensure that the public shareholding shall be brought up to such minimum level within a period of six months from the date of closure of the bidding through any of the following ways: (a) by issue of new shares by the company in compliance with the provisions of the Companies Act, and the guidelines or regulations of the SEBI relating to issue of securities and disclosures; (b) by the promoter making an offer for sale of his holdings in compliance with the provisions of the Companies Act, and the guidelines or regulations of the SEBI relating to issue of securities and disclosures; or, (c) by the promoter making sale of his holdings through the secondary market in a transparent manner.

Further, the Ministry of Finance has, on June 10, 2009, proposed certain amendments to the SCRR (the **MoF Notification**), in relation to voluntary and compulsory delisting, to bring them in line with the Delisting Regulations. Under the MoF notification a recognized stock exchange has the power to delist securities of a company listed on it on grounds such as the incurring of losses by the company during the preceding three consecutive years and a negative net worth, suspension of trading in the securities of the company for a period of more than six months and the infrequent trading of the securities of the company during the preceding three years. The MoF Notification shall become effective from the date that it is published in the Official Gazette. Due to their recent issuance, the applicability of the Delisting Regulations and MoF Notification have not been tested and hence it is possible that some of the clauses may be amended to make either the Delisting Regulations or the MoF Notification more effective or clarify any ambiguities contained therein. Investors are also requested to consult their advisors before taking any steps under the Delisting Regulations.

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a coordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the NSE's NIFTY or the BSE's Sensex, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place varying individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Listing Agreement

Our Company has entered into listing agreements with the Stock Exchanges for the continuous listing of our Equity Shares. A listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis and to inform the stock exchanges immediately of all the events which will have a bearing on the performance / operations of the company as well as any stock price-sensitive information. The listing agreements also provide that whenever a take over offer is made or there is any change in the control of the management of the company, the person who secures the control of the management of the company and the company whose shares have been acquired shall comply with the relevant provisions of the Takeover Code.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10 per cent., 15 per cent. and 20 per cent. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20 per cent. movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility.

Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the ICDR Regulations, and be filed with the Registrar of Companies having jurisdiction over the place where a company‘s registered office is situated. A company‘s directors and promoters may be subjected to civil and criminal liability for misstatements in a prospectus. The Companies Act, along with regulations promulgated by SEBI, also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. Pursuant to the provisions of the SEBI Act, SEBI has issued detailed regulations concerning disclosures by public companies in respect of capital issues. Prior to the repeal of certain rules in mid-1992, the erstwhile Controller of Capital Issues of the GoI regulated the prices at which companies could issue securities. The ICDR Regulations permit issuer companies to freely price their issues of securities. All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the disclosure requirements of the Companies Act and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management‘s discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its Equity Listing Agreement with the relevant stock exchange, including the requirement to publish un-audited financial statements on a quarterly basis subject to limited review by its auditors, and is required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with accounting standards issued by the ICAI. The ICAI and the SEBI have implemented changes which require Indian companies to account for deferred taxation, consolidate their accounts (subsidiaries only), and provide segment-wise reporting and disclosure of related party transactions from April 1, 2001 and accounting for investments in affiliated companies and joint ventures in consolidated accounts from April 1, 2002.

As on April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as on April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets. The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from April 1, 2011.

Indian Stock Exchanges

There are currently 19 recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self regulation. The NSE and the BSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

NSE

The NSE was established by financial institutions and banks to provide nationwide, online, satellite-linked, screen-based trading facilities for market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognized as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000. As on February 28, 2010, there were 1,461 companies listed and 1,342 companies available for trading on the NSE, and the estimated market capitalization of stocks trading on the NSE was Rs. 57,553.05 billion. In February 2010, the average daily turnover on the NSE was Rs. 122.57 billion.

The NSE launched the NSE 50 index, now known as S&P CNX Nifty, on April 22, 1996 and the Mid-cap Index on January 1, 1996. The NSE has a wide network in major metropolitan cities; screen based trading, a central monitoring system and greater transparency.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956 it became the first stock exchange in India to obtain permanent recognition from the GoI under the SCRA. Recently, pursuant to the SEBI's the BSE (Corporatization and Demutualization) Scheme, 2005, with effect from August 20, 2005 the BSE has been corporatized and demutualized and is now a company under the Companies Act. The BSE switched from an open outcry trading system to an online trading network in May 1995 and has today expanded this network to over 349 cities in India. As on February 28, 2010, the BSE had 1,014 members, comprising 173 individual members, 818 Indian companies and 23 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As on February 28, 2010, there were 4,970 listed companies (excluding permitted companies) and 7,974 scrips listed and trading on the BSE and the estimated market capitalization of stocks trading on the BSE was Rs. 59,035.14 billion. In February 2010, the average daily turnover on the BSE was Rs. 41.25 billion. As on February 28, 2010, the BSE had 15,519 trader work stations spread over 324 cities.

Internet-based Securities Trading and Services

The SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by the SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the equities and derivatives segments of the NSE.

Trading Hours

Trading on both the NSE and the BSE occurs from Monday through Friday, between 9:00 a.m. and 3:30 p.m. The NSE and the BSE are closed on public holidays. Pursuant to a circular dated October 23, 2009, the SEBI has permitted all the recognized stock exchanges to set their trading hours (in the cash and derivatives segments), subject to the conditions that, the trading hours are between 9 a.m. and 5 p.m. and such stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Trading Procedure
Electronic trading was introduced in India by the NSE, which developed its technology in-house. The NSE introduced for the first time in India, fully automated screen based trading, which uses a modern, fully computerized trading system designed to offer Investors across the length and breadth of the country a safe and easy way to invest. The NSE trading system called the National Exchange for Automated Trading (the ―**NEAT**) is a fully automated screen based trading system, which adopts the principle of an order driven market. The derivatives turnover on the NSE has surpassed the equity market turnover. The turnover of derivatives on the NSE increased from Rs. 23,654 million in 2000-01 to Rs. 110,104,822 million in 2008-09.

The NSE improved its worldwide ranking in traded volumes of futures and options taken together, from 15th in 2006 to 9th in 2007. The traded volumes in the derivatives segment of the NSE saw an increase of 95% in 2007 over the figure in 2006.

In order to facilitate smooth transactions, in 1995, the BSE replaced its open outcry system with the BSE On-line Trading (the ―**BOLT**) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers, which do not allow transactions beyond certain price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10%, 15% and 20% for two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE, or the NSE Nifty, whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in al1 equity and equity derivatives markets nationwide will be halted.

Price Bands. Price bands are circuit filters of 20% movements either up or down, and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products. In addition to the market-wide index based circuit breakers, there are currently in place varying individual scrip wise bands (except for scrips on which derivative products are available or scrips included in indices on which derivative products are available) of 20% either ways for all other scrips.

Circuit-breakers are not applicable to certain stocks listed in the "A" category of BSE, on which stocks, futures and options are traded. The stock exchanges of India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by stockbrokers. At the discretion of the stock exchanges and under instructions from SEBI, the stock exchanges can also impose ad hoc margins on the stockbrokers, for specific stocks in the event of extreme volatility in price movements.

Settlement
With effect from December 31, 2001, trading in all securities listed in the BSE's equity segment takes place in one market segment, known as the Compulsory Rolling Settlement Segment.
With effect from April 1, 2003, in accordance with the SEBI directives, stock exchanges in India operate on a trading day plus 2, or T+2 rolling settlement system. T+2 settlement requires that a transaction is settled on the second business day following the relevant trade date. The SEBI has proposed to move to a T+1 settlement system.

Stock Market Indices
There is an array of indices of stock prices on the NSE. The popular indices are the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap and CNX 100. The following two indices are generally used in tracking the aggregate price movements on the BSE.

(a) The BSE Sensitive Index, or Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. Sensex was first compiled in 1986 with the Fiscal year ended March 31, 1979 as its base year. This is the most commonly used index in India.

(b) The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex. The BSE 100 Index was introduced in January 1989 with the Fiscal year ended March 31, 1984 as its base year.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code, which prescribes certain thresholds or trigger points that give rise to these obligations. The Takeover Code is under constant review by the SEBI and was last amended on November 6, 2009. Since our Company is an Indian listed company, the provisions of the Takeover Code apply to our Company.

The salient features of the Takeover Code are as follows:

The term "shares" is defined under the Takeover Code to mean equity shares or any other security, which entitles a person to receive shares with voting rights but does not include preference shares.

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert with him) who acquires shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the shares or voting rights in a company is required to disclose the aggregate of his shareholding or voting rights in that company to the company and to each of the stock exchanges on which the company's shares are listed at every such stage within two days of (i) the receipt of intimation of allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be. Such company in turn is also required to disclose the same to the stock exchanges on which the company's shares are listed.

A person who holds more than 15% of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the financial year ending on March 31 (which in turn is required to disclose the same to each of the stock exchanges on which that company's shares are listed). Further, such person who holds 15% or more but less than 55% of the shares or voting rights in any company is required to disclose any purchase or sale of shares aggregating to 2% of the share capital of a company along with the aggregate shareholding after such acquisition or sale, to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's shares are listed) and to each of the stock exchanges on which the shares of the company are listed within two days of (i) the receipt of intimation of the allotment of shares or (ii) the acquisition of shares or voting rights, as the case may be.

Promoters or persons in control of a company are also required to make periodic disclosure of their holdings or the voting rights held by them along with persons acting in concert, in the same manner as above, annually within 21 days of the end of each financial year, as well as from the record date for entitlement of dividends. The company is also required to disclose the holdings of its promoters or persons in control as on March 31 of the respective year and on the record date fixed for the declaration of dividends to each of the stock exchanges on which its equity shares are listed. In addition, promoters or persons forming part of the promoter group of the company are also required to disclose to the company the details of the shares of the company pledged by them within seven days of the creation, or invocation, of the pledge, as the case may be. The company is, in turn, required to disclose the information to the stock exchanges within seven days of receipt of such information, if during any quarter ending March, June, September and December of any year: (i) the aggregate number of pledged shares taken together with the shares already pledged during that quarter exceeds 25,000, or (ii) the aggregate total pledged shares taken together with the shares already pledged during that quarter exceeds 1% of the total shareholding or voting rights of the company, whichever is lower.

An acquirer who, together with persons acting in concert with him, acquires or agrees to acquire 15% or more (taken together with existing equity shares or voting rights, if any, held by it or by persons acting in concert with it) of the shares or voting rights of a company would be required to make a public announcement offering to acquire a further minimum of 20% of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code. Such offer has to be made to all public shareholders of a company (public shareholding is defined as shareholding held by persons other than the promoters) and within four working days of entering into an agreement for the acquisition of or of the decision to acquire shares or voting rights which exceed 15% or more of the voting rights in a company. A copy of the public announcement is required to be delivered on the date on which such announcement is published to the SEBI, the company and the stock exchanges on which a company's equity shares are listed.

The SEBI may, on an application made by a target company, relax any or more of the provisions of the Takeover Code, subject to such conditions as it may deem fit, if it is satisfied that – (a) the central government or state government or any other regulatory authority has removed the board of directors of the target company and has appointed other persons to hold office as directors thereof under any law for the time being in force for orderly conduct of the affairs of the target company; (b) such directors have devised a plan which provides for transparent, open, and competitive process for continued operation of the target company in the interests of all stakeholders in the target company and such plan does not further the interests of any particular acquirer; (c) the conditions and requirements of the competitive process are reasonable and fair; (d) the process provides for details including the time when the public offer would be made, completed and the manner in which the change in control would be effected; (e) the provisions are likely to act as impediment to implementation of the plan of the target company and relaxation from one or more of such provisions is in public interest, the interest of Investors and the securities market.

An acquirer who, together with persons acting in concert with him, if any, holds 55% or more but less than 75% of the shares or voting rights (or, where the company concerned obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90% of the shares or voting rights in the company) in a company cannot acquire additional shares entitling him to exercise voting rights or voting rights unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

However, an acquirer may acquire, together with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise up to 5% voting rights in the company, without making a public announcement as aforesaid if (i) the acquisition is made through open market purchase in normal segment on the stock exchange but not through bulk/block deal/negotiated deal/preferential allotment, or the increase in the shareholding or voting rights of the acquirer is pursuant to a buyback of shares by the company; and (ii) the post acquisition shareholding of the acquirer together with persons acting in concert with him shall not increase beyond 75%.

Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights (or, where the company concerned obtained initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCR Rules, less than 90% of the shares or voting rights) in the company, intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the Equity Listing Agreement with the stock exchanges, the acquirer may do so only through an open offer under the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, i.e. up to the delisting threshold (75% or 90%, as the case may be).

In addition, regardless of whether there has been any acquisition of shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the shares of the company. In addition, the Takeover Code introduces the ‗chain principle' by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each of its subsidiary companies whether listed or not, whether in India or abroad. However, the public announcement requirement will not apply to any change in control which takes place pursuant to a special resolution passed by way of postal ballot by shareholders. The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are ‗frequently' or ‗infrequently' traded (as defined in the Takeover Code). In the case of shares which are frequently traded, the minimum offer price shall be the highest of:

(a) the negotiated price under the agreement for the acquisition of shares or voting rights in the company;
(b) the highest price paid by the acquirer or persons acting in concert with him/her for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of the public announcement; or
(c) the average of the weekly high and low of the closing prices of the shares of the company as quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of the public announcement or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two-week period prior to the date of the public announcement, whichever is higher.

The open offer for the acquisition of a further minimum of 20% of the shares of a company has to be made by way of a public announcement which is to be made within four working days of entering into an agreement for the acquisition or the decision to acquire shares or voting rights exceeding the relevant percentages or within four working days after the decision to make any such change(s) is made which would result in acquisition of control.

The Takeover Code provides that an acquirer who seeks to acquire any shares or voting rights which would result in the public shareholding in the target company being reduced to a level below the limit specified in the Equity Listing Agreement with the stock exchange for the purpose of listing on a continuous basis, shall take the necessary steps to facilitate the compliance by the company with the relevant provisions of such Equity Listing Agreement, within the time period mentioned therein. Further, the Takeover Code contains penalties for the violation of any provisions.

The Takeover Code permits conditional offers and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been set out.

Acquirers making a public offer are also required to deposit a percentage of the total consideration for such offer in an escrow account. This amount will be forfeited in the event that the acquirer does not fulfill his/her obligations.

The public offer provisions of the Takeover Code (subject to certain specified conditions), do not apply, among other things, to certain specified acquisitions, including the acquisition of shares (i) by allotment in a public and rights issue subject to the fulfillment of certain conditions, (ii) pursuant to an underwriting agreement, (iii) by registered stockbrokers in the ordinary course of business on behalf of clients, (iv) in unlisted companies (unless such acquisition results in an indirect acquisition of shares in excess of 15% in a listed company), (v) pursuant to a scheme of arrangement or reconstruction including an amalgamation or demerger, under any law or regulation of India or any other country, (vi) pursuant to a scheme under Section 18 of the SICA, (vii) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and their relatives, provided the relevant conditions are complied with, (viii) through inheritance on succession, (ix) resulting from transfers by

Indian venture capital funds or foreign venture capital Investors registered with the SEBI, to their respective promoters or to other venture capital undertakings, (x) by companies controlled by the GoI unless such acquisition is made pursuant to a disinvestment process undertaken by the Indian Government or a state government, (xi) pursuant to a change in control by the takeover/restoration of the management of a borrower company by a secured creditor under the terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (xii) by acquisition of shares by a person in exchange for equity shares received under a public offer made under the Takeover Code, and (xiii) in terms of guidelines and regulations relating to delisting of securities as specified by the SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions, either on their own account or as a pledgee. An application may also be filed with the SEBI seeking exemption from the requirements of the Takeover Code.

Further, on November 6, 2009, the SEBI amended the Takeover Code, as follows: (i) where the holders of any American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) become entitled to exercise voting rights on the shares underlying such ADRs/GDRs or exchange such ADRs/GDRs with the underlying shares carrying voting rights, open offer obligations shall be triggered upon crossing the threshold limits set out in Regulation 10 to 12 under Chapter III of the Takeover Code and public announcement (as prescribed under the Takeover Code) will be required to be made within four days of acquisition of such depository receipts; (ii) under Regulation 7(1A) of the Takeover Code, disclosures on acquisition or divestment of 2% or more of the share capital of a target company for acquirers holding shares/voting rights between 15-75% shall be required and (iii) under Regulation 11(1) of the Takeover Code, the creeping acquisition of up to 5% of the voting rights would be permitted without triggering the obligation of a public announcement subject to the condition that post-acquisition, the shareholding/voting rights of the acquirer either by himself or together with persons acting in concert with him, shall not increase beyond 55%. However, such acquisition up to 55% under Regulation 11(1) of the Takeover Code shall not be a bar on further acquisition of up to 5% of the voting rights as envisaged under the second proviso to Regulation 11(2) of the Takeover Code which provides, *inter alia,* that the post acquisition shareholding of the acquirer together with persons acting in concert with him shall not increase beyond 75%.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations, 1992 (the '**Insider Trading Regulations'**) have been notified by the SEBI to prohibit and penalize insider trading in India. The Insider Trading Regulations prohibit an 'insider' from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchanges when in possession of unpublished price-sensitive information. The terms insider and unpublished price-sensitive information' are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who while in possession of such unpublished price-sensitive information is prohibited from dealing in securities. The prohibition under the Insider Trading Regulations extends to all persons, including a company dealing in the securities of a company listed on any stock exchange or associate of that other company, while in the possession of unpublished price-sensitive information. Pursuant to amendments to the Insider Trading Regulations, the definition of the term insider has been broadened to include any person who has received or has had access to unpublished price sensitive information of the company.
On a continuous basis any person who holds more than 5% of the shares or voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by such person and change in shareholding or voting rights (even if such change results in the shareholding falling below 5%) and any such change in such holding since last disclosure made, where such change exceeds 2% of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of either: (i) the receipt of intimation of allotment of shares; or (ii) the acquisition or sale of shares or voting rights, as the case may be.

Further, all directors and officers of a listed company are required to disclose to the company the number of shares or voting rights held and positions taken derivatives by such person in such company within two working days of becoming a director or officer of such company. All directors and officers of a listed company are also required to make periodic disclosures of their shareholding in the company as specified in the Insider Trading Regulations.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimize misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. The Insider Trading Regulations require that the model code of conduct should not be diluted in any manner and shall be complied with. The model code of conduct has also been amended to prohibit all directors/ officers/ designated employees who buy or sell any number of shares of the company from entering into opposite transactions during the next six months following the prior transaction. All directors and designated employees have also been prohibited from taking positions in derivative transactions in shares of the company at any time. Further, certain provisions pertaining to, among other things, reporting requirements have also been extended to dependants of directors and designated employees of the company.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act, 1996 (including rules and regulations thereunder, the ―**Depositories Act**), which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. The SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 which provide among other things, for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository. The National Securities Depository Limited and the Central Depository Services (India) Limited are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India. Trading of securities in book-entry form commenced in December 1996. In order to encourage dematerialization‘ of securities, the SEBI has set up a working group on dematerialization of securities comprising foreign institutional Investors, custodians, stock exchanges, mutual funds and the NSDL to review the progress of securities and trading in dematerialized form and to recommend scrips for compulsory, dematerialized trading in a phased manner. In January 1998, the SEBI notified scrips of various companies for compulsory dematerialized trading by certain categories of Investors such as foreign institutional Investors and other institutional Investors and has also notified compulsory dematerialized trading in specified scrips for all retail Investors. The SEBI has subsequently significantly increased the number of scrips in which dematerialized trading is compulsory for all Investors. The SEBI has also provided that the issue and allotment of shares in public offers, rights offers or offers for sale after specified dates to be notified from time to time by the SEBI shall only be in dematerialized form and an investor shall be compulsorily required to open a depository account with a participant. Under the Depositories Act, a company shall give the option to subscribers/shareholders to receive the security certificates or hold securities in dematerialized form with a depository. However, even in the case of scrips notified for compulsory dematerialized trading, Investors, other than institutional Investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements for reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities. Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depository participant and have to be borne by the accountholder. Upon delivery, the shares shall be registered in the name of the relevant depository on the company‘s books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depository. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depository.
The Companies Act provides that Indian companies making any initial public offering of securities for, or in excess of, Rs. 100 million should issue the securities in dematerialized form in accordance with the provisions of the Depositories Act.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 to include derivative contracts within the term "securities" as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organization under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

SEBI, at its board meeting held on March 6, 2010, has taken an in-principal decision to allow Indian stock exchanges to introduce equity derivatives contracts with tenure of five years, derivative contracts on volatility indices with a suitable track record and the physical settlement of derivatives.

DESCRIPTION OF SHARES

*Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Securities Contracts Regulations) Act, 1956 (as amended) (the " **SCRA**"), the Companies Act and certain related legislation of India, all as currently in effect..*

General

The authorized share capital of the Company is Rs.50,00,00,000 (Rupees Fifty Crores) divided into 5,00,00,000 Equity Shares of Rs.10/- (Rupees ten) each.

Articles of Association

We are governed by our Articles of Association. Our Articles of Association were last amended on 30.07.2008. This amendment related to an increase in our authorised share capital. Table A of the Companies Act is not applicable to the Company.

Dividend

Under the Companies Act, unless the board of directors of a company recommend the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the board of directors. Dividends are generally declared as a percentage of the par value. The dividend recommended by our Board and approved by our shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Equity Shares on the record date or book closure date for which such dividend is payable. In addition, as is permitted by our Articles of Association, our Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "book closure date" or in the case of shareholders keeping their shares in dematerialised form, whose names are entered as beneficial owners in the records of a depository, such as the NSDL and CDSL on the "record date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his shares is outstanding. Under our Articles of Association, any unpaid calls on any Equity Shares may be adjusted out of the dividend payable to a shareholder. For details of dividend payments made by the Company, see section "Dividend and Dividend Policy".

We shall deposit any dividend we declare in a separate bank account within five days from the date of declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. We must transfer any money which remains unpaid or unclaimed for seven years from the date of such transfer to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against us or the said Fund.

Under the Companies Act, we may pay a dividend in excess of 10% of paid-up capital in respect of any year out of the profits of that year only after we have transferred to reserves a percentage of our profits for that year ranging between 2.5% to 10% depending on the rate of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions:
i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding the year, or 10% of paid-up capital, whichever is lower;
ii) the total amount to be drawn from the accumulated profits from previous years and transferred to the reserves, may not exceed an amount equivalent to one tenth of the paid-up capital and free reserves, and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares; and
(iii) the balance of reserves after withdrawals must not be below 15% of paid-up capital

Capitalization of Reserves/Profits
Our Articles of Association permit us by a resolution of our shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by the SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such conversion. The bonus issue shall be made out of free reserves built out of the genuine profits or share premium collected in cash only. The bonus issue cannot be made unless the shares in respect of which the bonus issue is made are fully paid-up. In addition, for being able to issue such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption of such debentures. A Company may not declare bonus shares in lieu of dividend. In order to proceed with the issue of bonus shares, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus. The issuance of bonus shares must be implemented within sixty days from the date of approval by the Board or the shareholders, whichever is later. Recent amendments also permit an Indian company to issue bonus shares to its non-resident shareholders, subject to the satisfaction of certain conditions.

Pre-Emptive Rights and Alteration of Capital

The Companies Act and our Articles give the shareholders the preemptive right to subscribe for new shares in proportion to their respective existing shareholdings, unless the shareholders elect otherwise by a special resolution or where a simple majority of shareholders present and voting have passed the resolution and the permission of the GoI has been obtained. The offer must include: (a) the right, exercisable by the shareholders on record, to renounce the shares offered in favour of any person; and (b) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted, it is deemed to have been declined. The board of directors is authorized to distribute any new shares not purchased by the pre-emptive rights holders in the manner that it deems most beneficial to the company.

Our Articles provide that our Company may from time to time, by ordinary resolution:

i) Consolidate and divide all or any of its share capital into shares of larger amount than the existing shares;
ii) Convert all or any fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination;
iii) Sub-divide all or any of its shares into shares of smaller amount than is fixed by our Memorandum so, however, that in the sub-division the proportion between the amount paid and any amount unpaid on each reduced share shall be the same as it was in the case of shares from which the reduced shares are derived; and
iv) Cancel shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.

Issue of further shares

(1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company

by allotment of further shares whether out of the unissued capital or out of the increased share capital then :

(a) Such further shares shall be offered to persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.

(b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in subclause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors, may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General

Meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company

(3) Nothing in sub-clause (c) of clause (11) hereof shall be deemed;

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company.

(i) To convert such debentures or loans into shares in Company; or

(ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term :

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

General Meetings of Shareholders
The Statutory Meeting of the Company shall as required by section 165 of the Act, be held at not earlier than one month and not later than six months from the date at which the company shall be entitled to commence business and at such time and places as may be determined by the board and the Board shall comply with other requirements of that Section as to the report to be submitted and otherwise.

In accordance with Section 166(1) and subject to Sections 166(2) and 210 of the Companies Act, a company must hold its annual general meeting each year within 15 months from the date of the last annual general meeting, or within six months after the end of the accounting year, whichever is earlier, unless extended by the Registrar of Companies at the request of the company for any special reason.

Any other meeting of the Company shall, be called an Extraordinary General Meeting. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and an Extraordinary General Meeting shall also be requisitioned or in default may be called by such requisitionists as provided by Section 169 of the Companies Act. Our Articles provide that quorum for a general meeting of the shareholders of our Company, shall be five shareholders present in person. If the quorum is not present within half an hour of the scheduled time for holding of the general meeting, the meeting, convened upon requisition of members shall be dissolved, but in any other case it shall stand adjourned to the next working day and reconvened at the same time of the day and place and if at such adjourned meeting, quorum of members is not present then those members present shall constitute a quorum and they may transact the business for which the meeting was called. At the date of the deposit of the requisition, not less than one- tenth of such of the paid up capital of the Company as at that date carried the right of voting in regard to the matter to be considered at the meeting forthwith proceed to call an Extraordinary General Meeting and such requisition shall be subject to the following provisions

1. The requisition shall state the matters for the consideration of which the meetings is to be called, shall be signed by the requisitionists and shall be deposited at the office. The requisition may consist of several documents in like form each signed by one more requisitionists.
2. Where two or more distinct matters are specified in the requisition, the requisition shall be valid only in respect of those matters in regard to which the requisition has been signed by the member or members hereinbefore specified.
3. If the Board does not within twenty-one days from the date of deposit of a valid requisition in regard to any matters,. proceed duly to call a meeting for the consideration of these matters on a day not later than forty-five days from the date of deposit, the requisitionists or such of them as are enable so to do by virtue of Section 169(6) of the Act may themselves call the meeting but any meeting so called shall not be commenced after three months from the date of deposit of such requisition.
4. Any meeting called under this Article by the requisitionists shall be called in the same manner as early as possible as that in which meeting are to be called by the Board but shall be held at the office,
5. Where two or more persons hold any shares jointly a requisition or notice calling a meeting signed by one or more of them shall for the purposes of this Article have the same force and effect as if it ad been signed y all of them.
6. Any reasonable expenses incurred by the requisitions by reason of the failure of the Board duly to call a meeting shall be repaid to the requisitionists by the Company and of any sum so repaid shall be retained by the Company out of any sums due or to become due to the Company by way of fees or other remuneration for their services to such of the Directors as are in default.

Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting in accordance with Section 171 of the Companies Act. A document may be served by the company on any member thereof and the notice of every meeting of the company shall be given to every member in any manner authorized by and as provided in Sections 53 and 172 of the Companies Act.

Proceedings at General meetings
The ordinary business of an annual General Meeting shall be to receive and consider the. profit and loss account, the Balance Sheet and Reports of the Directors and Auditors, to declare dividend, to appoint Directors in the place of those retiring by rotation, and to appoint Auditors and fix their remuneration. All other business transacted at an annual general meeting and all business transacted at any other general meeting shall be deemed special business. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided five members present in person shall be a quorum.

If within half-an-hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon such requisition as aforesaid, shall be dissolved ; but in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such time place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present, those members who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.

Any act or resolution, which under the provisions of these articles or of the Act is permitted or required to be done or passed by Company in general meeting shall be sufficiently so done or passed if effected by an ordinary resolution as defined Articles specifically require such act to be done or resolution as defined in Section 189(2) of the Act.

Every Director of the company shall have the right to attend at any, general meeting of the Company and also to take part in the discussion thereat even if he ‘may not hold any shares in the capital of the Company.

The Chairman of the Board shall be entitled to take the chair at every general meeting. If there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act the members present shall choose another Director as Chairman, and if no Director be present, or if all the Director decline to take the chair then the members present shall, on a show of hands or on a poll if properly demanded, elect one of their numbers, being a member entitled to vote, to be Chairman.

Every question submitted to a meeting shall be decided, in the first instance by a show of hands, unless a poll is (before or on declaration of the result of the show of hands) demanded by at least five Members having the right to vote on the resolution and present in person or by proxy, or by the Chairman of the meeting or by any Member or Members holding not less one tenth of total voting power in respect of the resolution or by any Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote on resolution being shares on which an aggregate sum has been paid-up which is not less than one-tenth of the total sum paid-up or all the shares conferring that right and unless a poll is demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority or lost, and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution and in the case of an equality of votes, both on a show of hands and on a poll, the Chairman of the meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.

At any general meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with provisions of Section 179 of the Act, a declaration by the Chairman that the resolution has or has not been carried either unanimously, or by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof to the number of the votes cast in favour of, or against the resolution.

(1) If a poll be demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than forty-eight hours from the time when the demand was made, and at such place as the Chairman of the meeting

directs, and subject as aforesaid, either at once or after an interval or adjournment of otherwise and the result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.

(2) The demand of a poll may be withdrawn at any time.

(3) Where a poll is to be taken the Chairman of the meeting shall appoint two scrutineers, one at least of whom shall be a member (not being an officer or employee of the company) present at the meeting provided such a member is available and willing to be appointed, to scrutinise the votes given on the poll and to report to him thereon.

(4) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

(5) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

The Chairman of a general meeting may with the consent of the meeting at which a quorum is present and shall, if so directed by the meeting adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting and save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Voting Rights

Subject to the provisions of the Companies Act and our Articles, votes may be given either personally or by proxy, and in the case of a body corporate, a duly authorized representative under Section 187 of the Companies Act shall be entitled to exercise the same powers on behalf of the corporation as if it were an individual member of the company. On a show of hands, every member holding equity shares and present in person shall have one vote. On a poll, every member holding equity shares therein shall have voting rights in proportion to his share of the paid-up equity share capital and such a member holding more than one vote need not use all his votes in the same way. In the case of joint holders, anyone of such persons may vote at any meeting either personally or by his proxy in respect of such share as if he were solely entitled thereto; and if more than one of such joint holders be present at any meeting, that the vote of the first named person of such joint holders in the register of members, who tenders a vote whether in person or proxy shall be accepted to the exclusion of the votes of the other joint holders.

Any preference shareholder present at any meeting of our Company, shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares and on every resolution placed before the meeting if the dividend due on such preference share capital or any part of such dividend has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of such meeting.

Under the Companies Act and our Articles, every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, shall be signed by an officer or any attorney duly authorized by it, and any guardian may appoint such proxy in case of a lunatic, idiot or minor. The proxy so appointed shall have no right to speak at such meeting.

The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer of the share shall have been received by our Company at the Registered Office before the meeting.

Convertible Securities/Warrants

We may issue from time to time debt instruments that are partly and fully convertible into Equity Shares and/or warrants to purchase Equity Shares.

Annual Report and Financial Results

Our audited consolidated financial statements for the relevant financial year, the directors' report and the auditors' report (collectively the "**Annual Report**") must be laid before the annual general meeting. These also include certain other financial information of the Company, a corporate governance section and management's discussion and analysis and are made available for inspection at our registered office during normal working hours for 21 days prior to the annual general meeting.

Under the Companies Act, we must file the Annual Report with the Registrar of Companies within 30 days from the date of the annual general meeting. As required under the Listing Agreement, copies are required to be simultaneously sent to the BSE and any other exchanges on which our Equity Shares are listed. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where our registered office is situated. We file certain information on-line, including its Annual Report, quarterly financial statements, report on corporate governance and the shareholding pattern statement, in accordance with the requirements of the listing agreement.

Transfer and Transmission of Shares

Save as provided in Section 108 of the Act, no transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferrer and by or on behalf of the transferee has been delivered to the Company within the time prescribed by Section 108 of the Act together with the certificate or, if no such certificate is in existence, the letter of Allotment of the share. The transferrer shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. Each signature to such transfer shall be duly attested by the signature of one witness who shall add his address.

Application for the transfer registration of the transfer of a share may be made either by the transferrer or the transferee, provided !that, where such application is made by the transferrer, no registration shall in the case of a partly paid share be effected unless the Company gives notice of the application to the transferee n the manner prescribed by section 110 of the Act, and subject 7to the provisions of these articles the Company shall, unless 'objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same condition as if the application for registration of the transfer was made by transferee.

Every instrument of transfer of shares shall be in the prescribed form and in accordance with section 108 of the Act.

Subject to the provisions of Section 111 of the Act, the Board with out assigning any reasons for such refusal, may, within one month from the date on which the instrument of transfer was delivered to or the intimation of transmission was lodged with the company, refuse to register any transfer of or the transmission by operation of law of the right to a share upon which the Company has a lien and in case of a share not fully paid up the Board may refuse to register a transfer when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Boards from transferring the shares out of the name of the transferor or when a transferor objects to the transfer provided he serves on the Company within a reasonable time a prohibitory order of a court of competent Jurisdiction.

Provided however that the registration of share shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to Company on any account whatsoever except where the company has a lien on the shares.

No transfer shall be made to an insolvent or person of unsound mind. Fully paid-up shares may be permitted to be transferred to or hold by minors provided the application is signed by the guardian.

Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the share to be transferred or, if no such certificate is in existence, by the letter of Allotment of the share and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the shares. Every instrument of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Board may refuse; to register shall be returned to the persons depositing the same.

If the Board refuses whether in pursuance of Article 38 or otherwise to register the transfer of or the transmission by operation of law of the right to any share, the Company shall within one month from the date on which the instrument or transfer or the Intimation of such transmission, as the cases may be, was lodged with the Company, send to the transferee and the transferor or to the person giving intimation of such transmission as the case may be, notice of the refusal,

No fee shall be charged for registration of transfer, grant of probate, grant of letters of Administration, certificate of death or marriage, power of Attorney or other similar instruments,

The executor or administrator of a deceased member (not being one of several joint holders) shall be the only person recognized by the Company as having any title to the share registered in the name of such member and in case of death of any one or more of the joint holders of any registered share, the survivor shall be the only person recognised by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on the share held by him jointly with any other person. Before recognising any executor or administrator the Board may require him to obtain a Grant of Probate or Letters of Administration or other legal representation as the case may be from a competent court in India and having effect in the place where the office is situated.

Provided nevertheless that in any case where the Board on its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or letters of Administration or such other legal representation upon such terms as to indemnify or otherwise as the Board, in its absolute discretion, may consider adequate.

Any committee or guardian curator bonds or other legal curator of a lunatic, idiot or non camps mantis member of any person becoming entitled to or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his tide as the Board thinks sufficient may, with the consent of the Board (which the Board shall not be bound to give), be registered as a member in respect of such share or may, subject to the regulations as to transfer hereinbefore contained, transfer such share. This Article is here matter referred to as “The Transmission Article”.

1. If the person so becoming entitled under the Transmission Article shall elect to be registered as holder the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

2. If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the share.

3. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of instruments of transfer of a share shall be applicable to any such notice or transfer as

aforesaid as if the death, lunacy, bankruptcy, or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.

A person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy, or insolvency of the holder shall subject to the provisions of Article 79 be entitled to the same dividends and other advantages as he would be entitled to if he were the registered holder of the share except that no such person (other than a person becoming entitled under the transmission Article to the share of a lunatic, idiot or non compos mantis member) shall before being registered as a member in respect of the share be entitled to exercise in respect thereof any right conferred by membership in relation to meetings of the Company.

Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice not complied with within ninety days, the Board may thereafter withhold payment of the share, until the requirements of the notice have been complied with.

Increase and Reduction of Capital

The Company may from time to time, by Ordinary Resolution increase its capital by the creation of new shares of such amount as may be deemed expedient. The Company may from time to time by Special Resolution, reduce its capital and any capital redemption reserve account or share premium account in any manner and with any subject to any incident authorized and consent required by law.

Acquisition by our Company of its own equity shares

Sections 77A, 77AA and 77B of the Companies Act relate to the power of a company to purchase its own shares or other specified securities out of its free reserves, or the securities premium account or the proceeds of the issue of any shares or other specified securities (other than from the proceeds of an earlier issue of the same kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back has been authorized by the Articles of Association of the company;
- a special resolution has been passed in a general meeting of the company authorizing the buy-back. In case of listed companies in accordance with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 such resolution authorizing buy-back has to be passed through a postal ballot;
- the buy-back is for less than 25% of the total paid-up capital and free reserves of the Company, provided that the buy-back of equity shares in any financial year shall not exceed 25% of its total paid-up equity capital in that financial year;
- all the shares or other specified securities for buy-back are fully paid-up;
- the debt owed by the company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the SEBI (Buy-Back of Securities) Regulation, 1998.

The requirement of special resolution mentioned above would not be applicable if the buy-back is for less than 10% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the board of directors of the company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of securities for

six months subject to certain exceptions. Every buy-back must be completed within a period of one year from the date of passing of the special resolution or resolution of the board of directors, as the case may be.
Under Section 77B of the Companies Act, a company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies, or through any investment company or group of investment companies or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, or in the event of non-compliance with certain other provisions of the Companies Act.

Winding up

Our Articles provide that on winding up, the liquidator may, with the sanction of an ordinary resolution of our Company, divide amongst the contributories in specie any part of the assets of our Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories, as the liquidator with the like sanction, shall think fit in accordance with the Companies Act and our Articles.

If assets available for distribution among the members are insufficient to repay the whole of the paid up capital, such surplus assets shall be distributed subject to the special preferential rights of the preference or any other shareholders, so that the losses are borne by the members in proportion to the capital paid up on the shares held by them respectively at the commencement of the winding up. If the assets available for distribution among the members are more than sufficient to repay the whole of the paid-up capital, the excess assets remaining after payments to the preferential rights of any preference or other shareholders, belong to the members in proportion to the amount paid up on such shares, respectively, at the commencement of the winding-up. Without prejudice to the rights or the holder of shares issued upon special terms and conditions, preference shareholders shall have prior rights to repayment of capital and dividends due.

TAXATION ASPECTS RELATING TO THE INSTRUMENT

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of equity shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives a shareholder faces, may or may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

For these purposes, Non-Resident means a person who is not a resident in India. For purposes of the Income Tax Act, 1961, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The following is based on the provisions of Indian tax laws as of the date hereof, subject to change, if any, possibly on a retroactive basis.
This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular Non-Resident holders. Individual tax consequences of an investment in Equity Shares may vary for Non-Residents in various circumstances, and potential Investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence.

The Income Tax Act, 1961 is revised by the Finance Act every fiscal year.

As per the taxation laws in force, the tax benefits/consequences as applicable, to the QIBs (not being individuals or HUFs) investing in the Equity Shares of our Company are stated as follows:

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

(A) BENEFITS TO OUR COMPANY UNDER THE INCOME-TAX ACT, 1961 (THE "INCOME TAX ACT"):

General Tax Benefits

1. Under section 10(34) of the Income Tax Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after April 1, 2003 by domestic companies) received on the shares of any company is exempt from tax.

2. Under section 10(35) of the Income Tax Act, any income received from units of a Mutual Fund specified under section 10(23D) of the Income Tax Act, is exempt from tax.

3. Under section 10(38) of the Income Tax Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset, being equity shares in a company or a unit of an equity oriented fund (i.e. if the shares or units are held for more than twelve months) would not be liable to tax in the hands of the shareholder, if the following conditions are satisfied:

a. The transaction of sale of such equity share or unit is entered into on or after October 1, 2004;

b. The transaction is chargeable to securities transaction tax.

However, the expenditure and income relating to the provisions of section 10(38) of the Income Tax Act would not be adjusted for the purpose of computing book profits under section 115JB of the Income Tax Act.

4. Section 14A of the Income Tax Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Income Tax Act viz. income received under sections 10(34), 10(35), etc. Thus, any expenditure incurred to earn the said income is not a tax- deductible expenditure.

5. Under Section 32 of the Income Tax Act, the Company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses, etc. if acquired after March 31, 1998. In terms of Clause (iia) of subsection (1) of section 32 of the Income Tax Act, the Company is entitled to further depreciation of 20% as additional depreciation on new plants and machinery acquired and installed after March 31, 2005, subject to conditions specified therein.

6. Under section 35 of the Income Tax Act, the Company is entitled to a weighted deduction of 150% under section 35(2AB) of the Income Tax Act 1961 in respect of the revenue as well as capital expenditure (except on Land and Building) incurred at it's in-house Research and Development facilities.

7. Under section 35D of the Income Tax Act, the Company will be entitled to a deduction equal to one- fifth of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as under writing commission, brokerage and other charges, as specified in the provision, for a period of five successive years subject to the limits provided and conditions specified therein.

8. Under section 48 of the Income Tax Act, if any long term assets (held for more than 36 months) or the long term investments in shares (held for more than 12 months) are sold the gains, if any (in case not covered under section 10(38) of the Income Tax Act), will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition. The indexed cost of acquisition/improvement means an amount which bears to the cost of acquisition/improvement the same proportion as cost inflation index for the year in which the asset is transferred bears to the cost inflation index for the first year in which the asset was held! for the year in which the improvement to the asset took place.

9. Under Section 50B of the Income Tax Act, the company is entitled to claim the benefit of special provision for computation of capital gains arising in case of the transfer of an undertaking / business on slump sale basis.

10. The Company is entitled to a deduction under section 80G of the Income Tax Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that section, subject to fulfillment of conditions prescribed therein.

11. Under section 112 of the Income Tax Act, long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Income Tax

Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation benefit, at the option of the Company in cases where securities transaction tax is not levied

12. Under section 115JAA(1A) of the Income Tax Act, credit is allowed in respect of any Minimum Alternate Tax ("**MAT**") paid under section 115JB of the Income Tax Act for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Income Tax Act for that assessment year. Such MAT credit is allowed to be carried forward for setting off against the future tax liability (other than MAT liability) up to 7 succeeding years from the year in which the MAT was paid.

Special Tax Benefits

1. The Company is eligible for deduction under section 80-IA (4) (iv) of the Income Tax Act. The deduction is equivalent to 100% of profits for a period of 10 consecutive years from generation of power, subject to fulfillment of the conditions specified therein.

(B) BENEFITS TO THE COMPANY UNDER THE WEALTH TAX ACT, 1957:

General Tax Benefits

1. As per the provisions of section 2(m) of the Wealth tax Act, 1957, the Company is entitled to reduce debts owed in relation to the assets which are chargeable to wealth tax in computing the net taxable wealth

Special Tax Benefits

There are no special tax benefits available under the Wealth Tax Act to the Company.

(C) BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE I.T. ACT

1. Under Section 10(32) of the I.T. Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the I.T. Act, will be exempt from tax to the extent of Rs 1500 per minor child whose income is so included.

2. Under Section 10(34) of the I.T. Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the I.T. Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred in relation to earning of the dividend income is not allowable expenditure.

3. Under Section 48 of the I.T. Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to Section 48 of the I.T. Act, in respect of long term capital gains (i.e. shares held for a period exceeding twelve months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.

4. Under Section 10(38) of the I.T. Act, long term capital gains (under Section 2(29B) of the I.T. Act) arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax. However, the income by way of long term capital gain of a shareholder, who is a company, shall be taken into account in computing the book profit and income tax payable under section 115JB of the I.T. Act.

5. Under Section 112 of the I.T. Act and other relevant provisions of the I.T. Act, long term capital gains, (other than those exempt under section 10(38) of the I.T. Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation. The amount of

such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares. Further, no deduction under Chapter VI-A would be allowed in computing such long term capital gains subjected to tax under section

6. Under Section 54EC of the I.T. Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the I.T. Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

(a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act;
(b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act.

The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the I.T. Act for any assessment year beginning on or after April 1, 2006.

7. Under Section 54F of the I.T. Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the I.T. Act) arising to an individual or a HUF on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of such transfer.

8. Under Section 111A of the I.T. Act and other relevant provisions of the I.T. Act, short-term capital gains (i.e., if shares are held for a period not exceeding twelve months) arising on transfer of equity share in the Company would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Further, no deduction under Chapter VI-A would be allowed in computing such short term capital gains subjected to tax under section 111A. Short-term capital gains arising from transfer of shares in a company, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under normal provisions of the IT Act.

9. In terms of Section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head ―Profit and gains of business or profession‖ arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of securities transaction tax.

(D) BENEFITS AVAILABLE TO MUTUAL FUNDS

1. As per the provisions of Section 10(23D) of the I.T. Act, Mutual Funds or mutual funds set up by public sector banks or public financial institutions or authorised by the RBI and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

(E) BENEFITS AVAILABLE TO FIIs

1. Under Section 10(34) of the I.T. Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders. Section 14A of the I.T. Act, restricts claim for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not an allowable expenditure

2. Under Section 10(38) of the I.T. Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is liable to securities transaction tax.

3. Under Section 54EC of the I.T. Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the I.T. Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

(a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;

(b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act.
The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

4. Under Section 115AD (1)(ii) of the Act short term capital gains on transfer of securities shall be chargeable at a rate of 30% (wherein the transactions are not subjected to STT) and at the rate of 15% if such transaction of sale is entered on a recognised stock exchange in India and is liable to securities transaction tax. The above rates are to be increased by applicable surcharge and education cess.

Under Section 115AD (1)(iii) of the I.T. Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under Section 10(38) of the I.T. Act i.e. wherein the transactions are not subjected to STT) held in the company will be taxable @ 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

5. As per Section 90(2) of the I.T. Act, provisions of the DTAA between India and the country of residence of the FII would prevail over the provisions of the I.T. Act to the extent they are more beneficial to the FII.

6. In terms of Section 36(xv) of the I.T. Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head ―Profit and gains of business or profession‖ arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

(F) BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS

1. Under Section 10(23FB) of the I.T. Act, any income of VCF (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the SEBI would be exempt from income tax, subject to conditions specified therein. As per Section 115U of the I.T. Act, any income derived by a person from his investment in VCF would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

(G) BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

1. Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act, will be exempt from tax to the extent of Rs 1500 per minor child whose income is so included.

2. Under Section 10(34) of the I.T. Act, income by way of dividends referred to in Section 115-O of the I.T. Act, received on the shares of the Company is exempt from income tax in the hands of shareholders. Section 14A of the I.T. Act, restricts claim for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not an allowable expenditure.

3. Under Section 10(38) of the I.T. Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is liable to securities transaction tax. However, the income by way of long term capital gain of a shareholder who is a company and taxable in India on net basis shall be taken into account in computing the book profit and income tax payable under section 115JB of the I.T. Act.

4. As per the provisions of Section 112 of the Act, long term gains accruing to the shareholders of the Company, being non-residents, from the transfer of shares of the Company being listed in recognized stock exchanges, (other than those exempt under section 10(38) of the I.T. Act) shall be charged to tax @ 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. As an alternative, such gain may be taxed at the option of shareholder @ 10% without taking the benefit of indexation.

   Separately, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders if investment in shares is made in foreign currency. In such a case, a protection is provided from foreign exchange fluctuations as per the first proviso of section 48. The long term capital gains is taxable @ 10% (plus applicable surcharge and education cess) based on certain judicial precedents which are not from the Apex court. Further, no deduction under Chapter VI-A would be allowed in computing such long term capital gains subjected to tax under section 112.

5. Under Section 54EC of the I.T. Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under Section 10(38) of the I.T. Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:

   (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
   (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act.

   The investment in the long term specified assets is eligible for such deduction to the extent of Rs.5 million.

   If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

6. Under Section 54F of the I.T. Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the I.T. Act) arising to an individual or a HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of such transfer. Such residential property must be in India

7. Under Section 111A of the I.T. Act and other relevant provisions of the I.T. Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is liable to securities transaction tax. Further, no deduction under Chapter VI-A would be allowed in computing such short term capital gains subjected to tax under section 111A. Short-term capital gains arising from transfer of shares in a Company, other than those covered by Section 111A of the I.T. Act, would be subject to tax as calculated under the normal provisions of the I.T. Act.

8. Where shares of the Company have been subscribed in convertible foreign exchange, non-resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the I.T. Act, which *inter alia* entitles them to the following benefits:

i. Under Section 115E, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20% (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a non-resident Indian, long term capital gains arising to the non- resident Indian shall be taxed at a concessional rate of 10% (plus applicable surcharge and education cess). In computing the above gains the benefit of indexation is not allowed, however the non-residents have been provided with a protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.

ii. Under provisions of Section 115F of the I.T. Act, long term capital gains (in cases not covered under Section 10(38) of the I.T. Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible foreign exchange (in cases not covered under Section 115E of the I.T. Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in Section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

iii. Under provisions of Section 115G of the I.T. Act, it shall not be necessary for a non- resident Indian to furnish his return of income under Section 139(1) if his income chargeable under the Act consists of only investment income or long term capital gains or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the I.T. Act.

iv. As per provisions of Section 115I of the I.T. Act, a Non-resident Indian may elect not to be governed by provisions of Chapter XII-A and compute his total income as per other provisions of the I.T. Act.

9. In terms of Section 36(xv) of the I.T. Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction e from the amount of income chargeable under the head ―Profit and gains of business or profession‖ arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

10. As per Section 90(2) of the I.T. Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non-resident/ non- resident Indian would prevail over the provisions of the I.T. Act to the extent they are more beneficial to the non-resident/ non- resident Indian.

(H) BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares of the Company held by the shareholders would not be liable to wealth tax.

(I) BENEFITS AVAILABLE TO THE SHARE HOLDERS UNDER THE GIFT TAX ACT, 1958

Gift tax is not leviable in respect of any gift made on or after October 1, 1998. Therefore, any gift of share of a company will not attract gift tax. With effect from October 1, 2009, gift by way of immovable properties, shares, securities, jewellery, drawings, paintings etc received by an individual/HUF without any adequate consideration will entail taxation as per Income Tax Act in the hands of recipient subject to certain exceptions.

(J) TAX DEDUCTED AT SOURCE

No income tax is deductible at source from income by way of capital gains under the present provisions of the I.T. Act. In case the capital gains, payable to non-resident would be subject to withholding of tax under Section 195 of the I.T. Act at the rate under the domestic tax laws or under the tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities The above TDS payment will not be subjected to surcharge. In case of failure of the deductee to intimate the Permanent Account Number to the deductor/payer, it will entail to 20% TDS as per proposed section 206AA of the I.T. Act applicable w.e.f. April 1, 2010.

Notes:

1. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Shares;

2. This statement is only intended to provide general information to the Investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;

3. No surcharge (wherever applicable) to be levied on individuals, HUF, AOP, body of individuals, artificial juridical person, co-operative society and local authorities even if their taxable income exceeds Rs. 1 million.

4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile; and

5. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.

LEGAL PROCEEDINGS

The following is the summary of material outstanding or pending legal proceedings or suits filed by and against the Company which our Companies believes to be material in nature.

Except as described below, our Company is not involved in any material legal proceedings and no such proceedings are threatened, that may have a material adverse effect on the Company's business, properties, financial condition or operations. Our Company is involved in few others legal proceeding pending before relevant court/statutory authorities including Civil/ Criminal matters which are not expected to have a material adverse impact on our business, results of operations and financial conditions. Our Company believes that the number of proceedings in which our Company is involved in is not unusual for a company of its size in the context of its business and operations.

TAXATION RELATED LITIGATION AND DEMAND NOTICES INVOLVING OUR COMPANY

1. INDIRECT TAX LITIGATIONS

(a) Our Company and the Commissioner, Central Excise, Vadodara have filed 2 appeals each aggregating to upto Rs 58.46 lakhs before the CESTAT, Ahmedabad in relation to denial of CENVAT credit for outward transportation. The matters are currently pending and hearing in these matters is yet to be scheduled.

(b) Our Company has filed 20 appeals amounting to upto Rs. 35.75 lakhs out of which 10 matters are pending before CESTAT, Bangalore and 10 matters are pending before Commissioner (Appeals), Customs, Cochin in relation to short import of carbon black feed stock. Our Company has made a pre-deposit of Rs 11.36 lakhs against the aggregate demands raised and the matters are currently pending.

(c) Thirteen appeals have been filed before the Commissioner Appeals, Durgapur by our Company for various matters relating to CENVAT credit disallowed on catering services, various input services, service tax on GTO and C&F Services, etc. for an aggregate amount of Rs. 114.19 lakhs. The matters are currently pending and hearing in these matters is yet to be scheduled.

(d) Nine appeals have been filed before CESTAT, Kolkata by our Company for various disputes like feedstock shortage, CENVAT credit taken on input service credit distributed by head office of our Company and service tax payment on GTA services availed, for an amount of Rs. 2247.60 lakhs. The Company has got an unconditional stay in two of the said matters, involving an amount of Rs. 109.04 lakhs. In respect of other matters hearing is yet to be fixed.

2. SALES TAX / VAT LITIGATIONS

(a) Eleven appeals have been filed before the West Bengal Commercial Taxes Appellate and Revisional Board ("WBCTARB") by our Company for disputes in relation to turnover discount, GT Enhancement, purchase tax, non allowance of deferment and collection of freight, for the assessment years 1992-93, 1994-95,1995-96, 1999-00, 2003-04 & 2004-05 (both under the CST Act and the West Bengal Sales Tax Act, 1994).The matters are currently pending and hearing in five of these matters is yet to be scheduled.

(b) Two matters aggregating to Rs. 310.10 lakhs are currently pending before Additional Commissioner (Revision), Commercial Taxes, West Bengal in relation to turnover discount and GT Enhancement during the assessment years 2000-2001. Hearing in the above matters has been completed and the final order is awaited.

(c) Further there are two matters which are currently pending before Senior Joint Commissioner, Commercial Taxes, West Bengal for disputes, in relation to disallowance of export, purchase tax, freight charges collected and deferment, etc. during the assessment years 2005-06. Hearing in the above matters has been completed and the final order is awaited.

3. INCOME TAX LITIGATIONS

(a) Our Company has filed a Writ Petition No. 3151 of 2000 before the Calcutta High Court against notice u/s 148 issued by the assessing officer for assessment year 1994-95, for disallowing Customs duty on year-end inventories. The amount in dispute is Rs. 260.50 lakhs. The Calcutta High Court was pleased to admit the writ and granted interim injunction in the matter. The matter is currently pending for final hearing.

(b) The Income Tax department has filed an appeal u/s 260A being ITA No.95 of 2006 before the Calcutta High Court against an order passed by the ITAT, Kolkata, in ITA No. 1316/Cal/2003 in relation to allowability of licence fees paid, in assessment year 1998-1999, as business expenditure amounting to Rs. 318.,64 lakhs. The Calcutta High Court was pleased to admit the Income Tax Department's appeal and has framed the question of law. The matter is currently pending for final hearing.

(c) The Income Tax department has filed another appeal u/s 260A being ITA No.214 of 2006 before the Calcutta High Court against an order passed by the ITAT, Kolkata, in ITA No.1818/K/2005 in relation to allowability of licence fees paid, in assessment year 1999-2000, as business expenditure, amounting to Rs. 250.00 lakhs. The Calcutta High Court was pleased to admit the Income Tax Department's appeal and has framed the question of law. The matter is currently pending for final hearing.

(d) The Income tax department has filed an appeal with the Income Tax Appellate Tribunal, Kolkata being ITA No.566/Kol/2009 against the CIT(A), Kolkata's order in Appeal no.63/CIT(A)-XXXII/DC Cir-10/08-09/Kol for assessment year 2004-05 in relation to allowability of expenses like License fees paid, Retainership fees paid, Guest House Expenses and Entrance fees to Clubs as business expenditure, aggregating to Rs. 293.41 lakhs. Our Company has also filed a Cross Objection being C.O. No.39/Kol/2009 for enhancement of disallowance of expenses u/s 14A of the IT Act amounting to Rs. 10.29 lakhs. The matters are currently pending for hearing before ITAT, Kolkata.

(e) Our Company has filed an appeal before CIT(A),Kolkata being Appeal no.461/CIT(A)-XXIV/C-10/08-09 against the order made u/s 143(3) for assessment year 2005-06 in relation to allowability of expenses like Retainership fees paid, Guest House Expenses, Expenses u/s 14A, Contribution to Provident fund, Aircraft flying right charges and Entrance fees to Clubs as business expenditure, aggregating to Rs. 116. 49 lakhs. The matter is currently pending for disposal before CIT(A) , Kolkata.

(f) Our Company has filed an appeal before CIT(A),Kolkata against the order made u/s 143(3) for assessment year 2006-07 in relation to allowability of expenses like Retainership fees paid, Guest House Expenses, Expenses u/s 14A, Contribution to Provident fund, Aircraft flying right charges and Entrance fees to Clubs as business expenditure, aggregating to Rs. 241.49 lakhs. The matter is currently pending for disposal before CIT(A), Kolkata.

(g) Our Company has filed an appeal before CIT(A),Kolkata against the order made u/s 143(3) for assessment year 2007-08 in relation to allowability of expenses like Retainership fees paid, Guest House Expenses, Expenses u/s 14A, Contribution to Provident fund, Recomputation of Book Profit for Sec.115JB, Aircraft flying right charges and Entrance fees to Clubs as business expenditure, aggregating to Rs. 1131.47 lakhs. The matter is currently pending for disposal before CIT(A), Kolkata.

INDEPENDENT ACCOUNTANTS

Our Company's financial statements as on and for each of the years ended March 31, 2007, 2008 and 2009, included in this Placement Document, have been audited by Price Waterhouse, Chartered Accountants who have also reviewed the unaudited financial results of our Company as on and for the nine months ended December 31st, 2009.

DECLARATION

The Company certifies that all relevant provisions of Chapter VIII of the SEBI Regulations, 2009 have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII of the SEBI Regulations, 2009 and that all approvals and permissions required to carry on this Issue have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Placement Document are true and correct.

Sd/-
Managing Director

Date: 03.05.2010

Place: Kolkata

ANNEXURE – AUDITORS REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2009

M/S.PRICE WATERHOUSE.
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMBERS OF
PHILLIPS CARBON BLACK LIMITED

1.	We have audited the attached Balance Sheet of Phillips Carbon Black Limited, as at 31st March 2009, 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 during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
		(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 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. Accordingly, the paragraphs 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the Order are not applicable.
		(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. Accordingly, the paragraphs 4(iii) (f) and 4(iii) (g) of the Order are not applicable.
	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. The Company has not provided any service during the year. 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, 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 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 is generally regular in depositing 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, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2009 which have not been deposited on account of a dispute.
	3.10		The Company has no accumulated losses as at 31st March 2009 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 information and explanations given and the records of the Company examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
	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.
	3.17		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 recently raised any money by public issue.
	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 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 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, as on 31st March 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;	
	(f)	In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:	
		(i)	in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
		(ii)	in the case of the Profit and Loss Account, of the loss 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.

P. Law
Partner
(Membership number 51790)
for and on behalf of
PRICE WATERHOUSE,
Chartered Accountants.

Kolkata, 28th April, 2009

Financial statements

Balance Sheet as at 31st March, 2009	Schedule	As at	As at
		31st March, 2009	31st March, 2008
		Rupees in Lakhs	Rupees in Lakhs
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**2,825.26**	2,525.25
Convertible Warrants issued and allotted (Note 2 on Schedule 19)		**-**	447.00
Reserves and Surplus	2	**18,993.28**	21,307.38
		21,818.54	24,279.63
LOAN FUNDS	3		
Secured Loans		**41,259.87**	26,457.96
Unsecured Loans		**1,295.83**	2,583.41
		42,555.70	29,041.37
Deferred Tax Liability (Net) [Note 12 on Schedule 19]		**171.10**	3,530.23
		64,545.34	56,851.23
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		**44,048.56**	45,065.68
Less: Depreciation		**21,250.69**	20,575.23
Net Block		**22,797.87**	24,490.45
Capital Expenditure In Progress (Note 11.4 on Schedule 19)		**38,276.64**	13,051.04
		61,074.51	37,541.49
INVESTMENTS	5	**3,776.10**	2,805.52
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	**12,096.97**	15,528.47
Sundry Debtors	7	**18,075.62**	21,756.76
Cash and Bank Balances	8	**713.47**	1,506.09
Other Current Assets	9	**4,781.74**	4,633.00
Loans and Advances	10	**3,654.75**	1,547.18
		39,322.55	44,971.50
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	**39,700.19**	27,373.49
Provisions	12	**-**	1,181.80
		39,700.19	28,555.29
NET CURRENT ASSETS		**(377.64)**	16,416.21
MISCELLANEOUS EXPENDITURE (TO THE EXTENT			
NOT WRITTEN OFF OR ADJUSTED)			
Payments under Voluntary Retirement Schemes		**72.37**	88.01
TOTAL		**64,545.34**	**56,851.23**
Notes on accounts	**19**		

Profit and Loss Account for the year ended 31st March, 2009

	Schedule			Year Ended 31st March,2009 Rupees in lakhs			Year Ended 31st March,2008 Rupees in lakhs
INCOME							
Sales - Carbon Black		**127,208.19**			114,983.75		
Less : Excise Duty		**12,431.13**			13,159.12		
			114,777.06			101,824.63	
Sales - Power			**1,550.79**			1,493.53	
Other Income	13		**1,632.46**			612.22	
Closing Stock of Finished Goods			**3,115.89**			2,114.92	
				121,076.20			106,045.30
EXPENDITURE							
Opening Stock of Finished Goods			**2,114.92**			1,399.13	
Raw Materials Consumed	14		**93,999.47**			64,066.26	
Expenses	15		**23,870.51**			25,802.65	
Depreciation			**1,963.67**			2,013.59	
Finance and Other Expenses	16		**8,857.68**			1,485.23	
				130,806.25			94,766.86
PROFIT / (LOSS) BEFORE TAXATION				**(9730.05)**			11,278.44
Provision for Taxation	17			**(3245.91)**			2,347.59
PROFIT AFTER TAXATION				**(6484.14)**			8,930.85
Balance brought forward from previous year				**10,433.53**			3,584.48
Profit available for Appropriation				**3,949.39**			12,515.33
Proposed Dividend				**-**			1,010.13
Tax on Proposed Dividend				**-**			171.67
				3,949.39			11,333.53
Transferred to General Reserve				**-**			900.00
Balance Carried to Balance Sheet (Schedule 2)				**3,949.39**			10,433.53
Earnings per Share (Rs.)	18						
- Basic				**(24.12)**			35.37
- Diluted				**(24.12)**			34.19
Notes on account	19						

Schedules forming part of the Balance Sheet

		As at 31st March, 2009 Rupees in Lakhs	As at 31st March, 2008 Rupees in Lakhs
SCHEDULE 1 - SHARE CAPITAL			
AUTHORISED			
50,000,000	Equity Shares of Rs.10/- each (31.03.2008 - 31,500,000)	**5,000.00**	3,150.00
ISSUED, SUBSCRIBED AND PAID UP			
20,213,779	(31.03.2008 - 17,213,779) Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	**2,021.38**	1,721.38
	Less : Allotment Money receivable	**0.07**	0.08
		2,021.31	1,721.30
3,692,750	Equity Shares of Rs.10/- each allotted as fully paid up bonus shares by capitalization of Share Premium and Revenue Reserve (Note 2 below)	**369.28**	369.28
4,346,667	Equity Shares of Rs.10/- each fully paid up other than cash	**434.67**	434.67
		2,825.26	2,525.25

Notes:

1 (a) Including 3,000,000 Equity Shares of Rs10/- each issued and allotted during the year (Refer Note 2 on Schedule 19)

(b) Allotment of 1,823 shares is pending against Rights issue made during 1993-94

2 Of the 3,692,750 Shares, 48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

SCHEDULE 2 - RESERVES AND SURPLUS

		As at 31st March, 2009 Rupees in Lakhs		As at 31st March, 2008 Rupees in Lakhs
Reserves				
Securities Premium				
Balance as per last Account	**6,644.83**		6,644.67	
Add: Received during the year (Note 1 below)	**4,170.04**		0.16	
(Note 2 below)		**10,814.87**		6,644.83
Capital Reserve		**156.81**		156.81
Debenture Redemption Reserve				
Balance as per last Account	**-**		312.50	
Less: Transferred to General Reserve	**-**		312.50	
		-		-
General Reserve				
Balance as per last Account	**4,072.21**		2,909.74	
Less: Appropriated towards Opening Liabilities on account of Employee Benefits in terms of transitional provision contained in Accounting Standard (AS) 15 Employee Benefits	**-**		50.03	
	4,072.21		2,859.71	
Add: Transfer from Debenture Redemption Reserve	**-**		312.50	
Add: Transfer from Profit and Loss Account	**-**		900.00	
		4,072.21		4,072.21
Surplus				
Profit and Loss Account		**3,949.39**		10,433.53
		18,993.28		21,307.38

Notes :

1. Including Rs.4,170 lakhs received on Equity Shares issued and allotted during the year. (Refer Note 2 on Schedule 19)
2. Net of allotment money receivable on account of Share Premium Rs. 0.62 lakh (31.03.2008 - Rs. 0.66 lakh).

SCHEDULE 3 - LOAN FUNDS

	As at 31st March, 2009 Rupees in Lakhs	As at 31st March, 2008 Rupees in Lakhs
SECURED LOANS		
From Banks		
- Cash Credit/ Export Packing Credit facilities/ Loans (Note 1 below)[Include Rs. 0.23 lakhs (31.03.2008 – Rs. 13.04 lakhs) on account of interest accured and due	**3,636.19**	10,908.37
- Term Loans from Banks (Note 2 below) [Include Rs 33.57 lakhs (31.03.2008 - Rs 48.77 lakhs) on account of interest accrued and due]	**37,623.68**	15,549.59
	41,259.87	26,457.96
UNSECURED LOANS		
Loan from Bank -Short term	**-**	1,000.00
Dealers Security Deposits	**46.00**	25.00
Sales Tax Deferred Loans (Note 3 below)	**1,249.83**	1,384.43
External Commercial Borrowing	**-**	173.98
	1,295.83	2,583.41

Notes:

1 Cash Credit/ Packing Credit facilities/ Loans - under consortium arrangements are with Bank of Baroda, Allahabad Bank , Export and Import Bank of India, ICICI Bank Ltd., State Bank of Bikaner & Jaipur, Citibank NA and IDBI Bank at Kolkata; State Bank of India, State Bank of Travancore at Kochi and Syndicate Bank at Mumbai. The above Cash Credit/ Packing Credit facilities/Loans are secured by way of hypothecation in favour of the said 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 Receivable, Claims, etc. held by any third party to the order of the disposition of the Company (excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal) and also by a pari-passu second charge 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 in Gujarat and Karimugal in Kochi. Vehicle loans from banks are secured by way of hypothecation of vehicles financed by such loans.

2 Term Loans from Banks :
Term Loans from Banks other than loan for 30MW Co-generation Power Plant at Durgapur are secured by way of first charge, ranking pari-passu 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 in Gujarat and Karimugal in Kochi, 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 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. 338.94 lakhs. (Previous Year -Rs 230.29 lakhs)

SCHEDULE 4 - FIXED ASSETS (Rupees in Lakhs)

Description	Original/ Revalued cost of Assets as at 31st March2008	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 March2009	Depreciation as at31st March2008	Depreciation during the Year	Adjustment of Depreciation on sales etc.	Depreciation as at31st March2009	Balance as at31st March2009	Balance as at31st March2008
Freehold Land	601.64	51.85	-	653.49	-	-	-	-	653.49	601.64
Leasehold Land Acquisition and Development Expenses	663.81	135.53	-	799.34	-	-	-	-	799.34	663.81
Buildings (a)	3,122.65	1.31	-	3,123.96	857.95	92.63	-	950.58	2,173.38	2,264.70
Non-Factory Buildings and Flats	1,569.63	58.27	0.17	1627.73 (b)	280.58	33.44	0.05	313.97	1,313.76	1,289.05
Plant and Machinery	35,270.87	154.00	1,430.41	33,994.46	17,273.13	1,649.99	1,115.23	17,807.89	16,186.57	17,997.74
Electrical										
Installations	2,333.76	19.45	135.27	2,217.94	1,230.24	99.29	96.67	1,232.86	985.08	1,103.52
Motor Vehicles	449.03	253.01	185.69	516.35	152.25	48.20	68.59	131.86	384.49	296.78
Furniture, Fixtures										
and Office Equipment	757.65	84.94	23.94	818.65	485.05	40.12	7.67	517.50	301.15	272.60
Railway Sidings	89.62	-	-	89.62	89.01	-	-	89.01	0.61	0.61
Software	207.02	-	-	207.02	207.02	-	-	207.02	-	-
	45,065.68	758.36	1,775.48	44,048.56	20,575.23	1,963.67	1,288.21	21,250.69	22,797.87	24,490.45
Previous Year	44,717.03	532.12	183.47	45,065.68	18,686.55	2,013.59	124.91	20,575.23	24,490.45	

Notes:

(a) Cost and accumulated depreciation include Rs. 2,916.88 lakhs (31.03.2008 - Rs. 2,915.57 lakhs) and Rs. 870.16 lakhs (31.03.2008 - Rs. 782.99 lakhs) respectively in respect of Buildings on leasehold land.

(b) Includes Rs 84.00 lakhs (31.03.2008 - Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs. 9.84 lakhs (31.03.2008 - Rs. 9.84 lakhs) being one-sixth share of jointly owned property.

		As at 31st March, 2009 Rupees in Lakhs		As at 31st March, 2008 Rupees in Lakhs
SCHEDULE 5 - INVESTMENTS (Long-Term)				
[Note 1(vi) on Schedule 19]				
TRADE -				
Quoted				
4,155,743 Fully paid Equity Shares of Rs 10/- each in CEAT Ltd		**2,614.91**		2,614.91
- (31.03.2008 - 1,385,247 Fully paid Equity Shares of Rs 10/- each in CHI Investments Ltd.		-		-
(Note 3 below)				
Quoted				
344,130 Fully paid Equity Shares of Rs 10/- each in CESC Ltd.	**1,115.74**		150.15	
(267,130 shares purchased during the year)				
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	
- (31.03.2008 -17,417) 6.75% Tax Free US-64 Bonds of Rs.100/- each in Unit Trust of India (redeemed during the year)	**-**		21.09	
		1,386.02		441.52
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 Shares in Subsidiary Company				
Unquoted				
5,100 Fully paid Equity Shares of Euro 1/- each in Phillips Carbon Black Cyprus Holdings Limited (acquired during the year)		**26.18**		-
		4,027.21		3,056.53
Less : Provision for diminution in value of Investments		**251.11**		251.01
		3,776.10		2,805.52

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. 2,189.35 lakhs (31.03.2008 - Rs. 4910.75 lakhs)	**3,749.92**	2,805.42
	(2) Aggregate amount of Unquoted Investments	**26.18**	0.10
		3,776.10	2,805.52

(3) 1,385,247 fully paid Equity Shares of Rs. 10/- each in CHI Investment Ltd acquired in 2007-08 pursuant to a Scheme of Arrangement between CEAT Ltd and CHI Investment Ltd and held at nil value have been sold during the year.

(4) Units of Mutual Funds purchased and sold during the year	Number of units	Book Value Rupees in lakhs
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 Liquid Cash Plan Institutional - Daily Income Option - Re-Investment	662,772	6,757
UTI Liquid Cash Plus Institutional - Growth Option	391,241	5,340
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

		As at 31st March, 2009 Rupees in Lakhs		As at 31st March, 2008 Rupees in Lakhs
SCHEDULE 6 - INVENTORIES				
[Note 1(vii) on Schedule 19]				
Stores and Spares		**2,342.91**		1,321.75
Raw Materials		**6,638.17**		12,091.80
Finished Goods		**3,115.89**		2,114.92
		12,096.97		15,528.47
SCHEDULE 7 - SUNDRY DEBTORS (UNSECURED)				
Debts outstanding for a period exceeding six months				
Considered Good		**1,314.94**		1,254.50
Considered Doubtful	**1,213.71**		1,177.40	
Less : Provision	**1,213.71**	**-**	1,177.40	-
		1,314.94		1,254.50
Other Debts - Considered Good		**16,760.68**		20,502.26
		18,075.62		21,756.76
SCHEDULE 8 - CASH AND BANK BALANCES				
Cash on Hand		**8.99**		4.12
Remittances in Transit		**581.75**		1,392.69
With Scheduled Banks:				
- On Current Accounts		**69.64**		65.54
- On Unpaid and Unclaimed Dividend Accounts (as per contra Schedule 11)		**44.09**		34.74
- On Margin Money Account against Guarantee		**9.00**		9.00
		713.47		1,506.09

	As at 31st March, 2009 Rupees in Lakhs	As at 31st March, 2008 Rupees in Lakhs
SCHEDULE 9 - OTHER CURRENT ASSETS		
Considered good		
Balances with Customs, Port Trust and Excise Authorities etc.	**2,510.73**	2,580.31
Other Deposits	**992.09**	927.55
[including Rs 0.80 lakh, (31.03.2008 - Rs. 0.80 lakh) in the form of National Savings Certificate II Series]		
Accruals under Duty Exemption Scheme pertaining to exports / deemed exports	**1,155.56**	952.81
Accrued benefit under Duty Drawback	**123.36**	172.33
	4,781.74	4,633.00
SCHEDULE 10 - LOANS AND ADVANCES		
Unsecured - Considered good		
Advances recoverable in cash or in kind or for value to be received (Note 10 on Schedule 19)	**2,148.13**	742.28
Advance payment of Taxes, etc. [net of Provision for Taxation Rs. 6,996.45 lakhs, (31.03.2008 - Rs. 6,883.22 lakhs)]	**1,506.62**	804.90
	3,654.75	1,547.18

		As at 31st March, 2009 Rupees in Lakhs		As at 31st March, 2008 Rupees in Lakhs
SCHEDULE 11 - LIABILITIES				
Sundry Creditors				
- Dues to Micro Enterprises and Small Enterprises (Note 1 below)	**32.89**		21.18	
- Others	**39,133.56**		26,933.12	
		39,166.45		26,954.30
Investor Education and Protection Fund shall be credited by the following amounts (Note 2 below) :				
- Unpaid dividend (as per contra Schedule 8)		**44.09**		34.74
- Unpaid matured deposits		**6.50**		7.34
Interest Accrued but not due on borrowings		**483.15**		377.11
		39,700.19		27,373.49

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, 2009.

2. No amount was due for deposit as on the Balance Sheet date.

	As at 31st March, 2009		As at 31st March, 2008	
SCHEDULE 12 – PROVISIONS				
Proposed Dividend		**-**		1,010.13
Tax on Proposed Dividend				171.67
		-		1,181.80
SCHEDULE 13 - OTHER INCOME				
Interest (Gross,Tax deducted at source Rs. 41.45 lakhs; Previous Year - Rs. 16.34 lakhs)				
- On Deposits	**182.94**		72.44	
- On Others	**5.35**		6.01	
		188.29		78.45
Dividend				
- From Trade Investments	**169.71**		99.74	
- From Others	**7.29**		55.37	
		177.00		155.11
Revenue from Carbon Credit		**-**		277.77
Profit on Sale of Investments (net)		**1,113.31**		5.94
Miscellaneous		**153.86**		94.95
		1,632.46		612.22
SCHEDULE 14 - RAW MATERIALS CONSUMED				
Opening Stock	**12,091.80**		9,043.24	
Add : Purchases (Notes 4.1 and 4.2 on Schedule 19)	**88,545.84**		67,114.82	
	100,637.64		76,158.06	
Less : Closing Stock	**6,638.17**		12,091.80	
	93,999.47		64,066.26	

SCHEDULE 15 - EXPENSES		**Year Ended 31st March, 2009 Rupees in Lakhs**		Year Ended 31st March, 2008 Rupees in Lakhs
Salaries, Wages and Bonus		**2,753.32**		2,513.38
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund		**289.73**		261.10
Labour and Staff Welfare		**410.65**		282.55
Consumption of Stores, Spares and Packing Materials		**3,107.47**		3,317.56
Power and Fuel		**521.48**		653.68
Water Charges		**64.56**		102.67
Rent		**73.61**		62.19
Rates and Taxes		**89.47**		84.88
Maintenance and Repairs :				
- Buildings	**164.95**		102.79	
[excluding Rs 0.19 lakh (Previous year - Rs. 0.14) charged to Research & Development Expenses]				
- Plant and Machinery	**355.39**		484.84	
- Others	**201.99**		201.37	
		722.33		789.00
Insurance		**91.02**		81.19
Travelling and Transport Expenses		**472.00**		534.23
Subscriptions and Donations		**47.42**		99.07
Miscellaneous Expenses		**2,681.82**		2,535.09
Freight Outward		**2,301.59**		2,062.17
Commission and Discount		**9,474.18**		11,612.53
Directors' Fees		**5.55**		6.85
Research and Development Expenses (Note 4.2 on Schedule 19)		**299.58**		309.15
Loss on Disposal of Fixed Assets (net)		**379.68**		39.63
Provision for diminution in value of Investments		**0.10**		-
Bad Debts written off (net)		**48.64**		342.03
Provision for Doubtful Debts (net)		**36.31**		113.70
		23,870.51		25,802.65

		Year Ended 31st March, 2009		Year Ended 31st March, 2008
SCHEDULE 16 - FINANCE AND OTHER EXPENSES				
Interest (Note 23 on Schedule 19)				
- On Debentures	**-**		64.79	
- On Fixed Loans	**2517.14**		1,498.53	
- On Others	**418.99**	**2,936.13**	381.38	1,944.70
Bank & Discounting Charges		**1,263.54**		713.09
(Gain) / Loss on Foreign Exchange Fluctuations (net)		**4,658.01**		(1172.56)
		8,857.68		1,485.23

SCHEDULE 17 - PROVISION FOR TAXATION

Current Tax (Previous year net of MAT Credit - Rs. 389.51lakhs)	**-**	3,034.00
Deferred Tax (release) / charge	**(3359.14)**	(780.66)
Fringe Benefit Tax	**113.23**	94.25
	(3245.91)	2,347.59

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HEDULE 18 - BASIC AND DILUTED EARNINGS PER SHARE	**Year Ended 31st March, 2009**		Year Ended 31st March, 2008	
Adjusted Number of Equity Shares at the beginning of the period	**25,253,080**	(1)	25,252,182	(3)
Adjusted Number of Equity Shares at the end of the period	**28,253,130**	(2)	25,253,080	(1)
Weighted average number of Equity Shares outstanding during the period (Basic EPS)	**26,880,510**	(4)	25,252,616	(6)
Weighted average number of Equity Shares outstanding during the period (Diluted EPS)	**26,880,510**	(5)	26,120,288	(7)
Nominal Value of each Equity Share (Rs.)	**10**		10	
Profit after Taxation available for Equity Shareholders (Rupees in Lakhs)	**(6,484.14)**		8,930.85	
Basic Earnings per Share (Rs.)	**(24.12)**		35.37	
Diluted Earnings per Share (Rs.)	**(24.12)**		34.19	

Adjusted Number of Equity Shares	(1) As at 31st March, 2008/ 1st April, 2008			(2) As at 31st March, 2009			(3) As at 1st April, 2007		
			Total			Total			Total
Number of Shares issued	25,206,182	47,014	25,253,196	25,206,182	3,047,014	28,253,196	25,206,182	47,014	25,253,196
Nominal Value (Rs.)	252,061,820	470,140	252,531,960	252,061,820	30,470,140	282,531,960	252,061,820	470,140	252,531,960
Paid up Value (Rs.)	252,061,820	468,980	252,530,800	252,061,820	30,469,480	282,531,300	252,061,820	460,000	252,521,820
Adjusted Number of shares	25,206,182	46,898	25,253,080	25,206,182	3,046,948	28,253,130	25,206,182	46,000	25,252,182

Weighted average number of shares for Basic EPS

(4)

Year ended 31st March, 2009

Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
1-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

Weighted average number of shares for Diluted EPS

(5)

Year ended 31st March, 2009

Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
1-Apr-08	25,253,080	128	8,855,875
7-Aug-08	25,253,130	39	2,698,280
15-Sep-08	28,253,130	198	15,326,355
Weighted average number			26,880,510

	(6) Year ended 31st March, 2008				(7) Year ended 31st March, 2008		
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding	Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
1-Apr-07	25,252,182	78	5,381,613	1-Apr-07	26,119,854	78	5,566,526
18-Jun-07	25,252,280	24	1,655,887	18-Jun-07	26,119,952	24	1,712,784
12-Jul-07	25,252,476	116	8,003,517	12-Jul-07	26,120,148	116	8,278,517
5-Nov-07	25,252,926	36	2,483,894	5-Nov-07	26,120,598	36	2,569,239
11-Dec-07	25,253,030	100	6,899,735	11-Dec-07	26,120,702	100	7,136,804
20-Mar-08	25,253,080	12	827,970	20-Mar-08	26,120,752	12	856,418
Weighted average number			25,252,616	Weighted average number			26,120,288

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 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 Costs
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. Such additional depreciation is adjusted against the available balance in Revaluation Reserve in respect of related items.
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.
(v)Foreign Currency Transactions
Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the year-end are translated at the prevailing exchange rates and the resultant gains/ losses are recognised in the Profit and Loss Account. The premium or discount in respect of forward exchange contracts are appropriately recognised in the Profit and Loss Account over the period of the contract. Exchange difference arising on such contracts is accounted for in the reporting period in which the exchange rate changes.
(vi)Investments Investments are valued at cost less provision for diminution (other than temporary) in the value 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 material cost (determined on the basis indicated above), 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 despatch / 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 (RPFCs) for other employees are recognised 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)] and leave encashment benefits payable to the employees on cessation of their employment and liabilities accrued towards post employment medical benefits extended to certain categories of employees [comprising payment of annual medical insurance premium to cover hospitalisation and reimbursement of domiciliary medical expenses within a defined monetary limit] are determined by actuarial valuation based on the method prescribed by Accounting Standard (AS) 15 Employee Benefits and are recognised as charge on accrual basis.

c) Termination Benefits

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

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

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

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

(x) Research and Development

Revenue expenditure on research and development is charged to Profit and Loss Account in the the period in which it is incurred.

(xi) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax assets, 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 are periodically reviewed to reassess realisation thereof.

[2] On exercise of the option to subscribe to the Company's Equity Shares by the holders of 3,000,000 Convertible Warrants of Rs.149 each allotted on 15th March, 2007 pursuant to the approval of the members of the Company in accordance with SEBI guidelines, 3,000,000 Equity Shares of Rs. 10 each fully paid up have been issued and allotted on 15th September, 2008 on conversion of said Warrants. Consequently, out of the proceeds of Rs. 4,470 lakhs of the Convertible Warrants, Rs. 300 lakhs and Rs. 4,170 lakhs have been transferred to Share Capital and Securities Premium Account respectively.

[3.1] Managerial Remuneration :	**Year Ended31st March, 2009 Rupees in Lakhs**	Year Ended31st March, 2008 Rupees in Lakhs
Amounts paid/ payable to :		
a) Managing Director		
Salaries, Bonus and Allowances	**152.55**	134.31
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	**9.97**	7.25
Perquisites	**4.15**	2.52
	166.67	144.08
b) Other Directors		
Directors' Fees	**5.55**	6.85

[3.2] Computation of Net Profit under Section 198(1) / 349 of the Companies Act, 1956 has not been provided as no commission is payable in view of inadequacy of profit.

[4.1] Raw Material Purchase is net of Rs. 1747.62 lakhs (Previous year - Rs. 916.31 lakhs) being benefits under various duty exemption schemes pertaining to exports / deemed exports

[4.2] Research and Development Expenses includes Raw Materials Consumed Rs. 245.40 lakhs (Previous year - Rs.255.88 lakhs), Salaries, Wages and Bonus Rs.50.33 lakhs (Previous year - Rs. 30.98 lakhs), Contribution to Provident Fund, Superannuation Fund and Gratuity Fund Rs.1.36 lakhs (Previous year - Rs. 3.25 lakhs), Labour and Staff Welfare Rs.2.03 lakhs (Previous year - Rs. 1.64 lakhs), Maintenance and Repairs - Building Rs. Nil (Previous year - Rs. 0.19 lakhs), Travelling and Transport Expenses Rs. Nil (Previous year - 3.18 lakhs) and Miscellaneous Expenses Rs. 0.46 lakhs (Previous year - Rs. 14.03 lakhs)

4.3 Auditors' Remuneration:	**Year Ended31st March, 2009 Rupees in Lakhs**	Year Ended31st March, 2008 Rupees in Lakhs
Audit Fees	16.00	16.00
Tax Audit	4.00	4.00
Others (Certifications)	5.85	5.00
Reimbursement of Expenses (including Service Tax to the extent routed through Profit and Loss Account)	1.35	0.49

5. Total Amount of Consumption of Raw Materials, Stores and Spares:				
Raw Material	**Year Ended 31st March, 2009**		Year Ended 31st March, 2008	
	%	**Value Rupees in Lakhs**	%	Value Rupees in Lakhs
Imported	**93**	**86,989.11**	94	60,386.60
Indigenous	**7**	**7,010.36**	6	3,679.66
Total	**100**	**93,999.47**	100	64,066.26
Stores and Spares	**Year Ended 31st March, 2009**		Year Ended 31st March, 2008	
	%	**Value Rupees in Lakhs**	%	Value Rupees in Lakhs
Imported	**8**	**233.88**	7	245.48
Indigenous	**92**	**2,873.59**	93	3,072.08
Total	**100**	**3,107.47**	100	3,317.56

6 Particulars of licensed capacity, installed capacity, Finished Goods and Sales:								
	Year Ended 31st March, 2009				Year Ended 31st March, 2008			
	Carbon Black		**Power**		Carbon Black		Power	
	Quantity	**Rupees in**	**Unit**	**Rupees in**	Quantity	Rupees in	Unit	Rupees in
	MT	**Lakhs**		**Lakhs**	MT	Lakhs		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.	**270,000**		**12 MW**		270,000		12 MW	
Carbon Black :								
Opening Stock	**5,060**	**2,114.92**			4,052	1,399.13		
Actual Production	**212,150**				250,484			

@								
Closing Stock	**6,657**	**3,115.89**			5,060	2,114.92		
Sales (including sweepings)	**210,553**	**127,208.19**			249,476	114,983.75		
Power :								
Generation (Million KWH)			**86.54**				91.25	
			(including Captive Consumption etc. of 27.38)				(including Captive Consumption etc. of 31.00)	
Sales			**59.16**	**1550.79**			60.25	1,493.53
@ Including production for Research and Development runs and reprocessing	**668 MT**						987 MT	

	Year Ended 31st March, 2009		Year Ended 31st March, 2008	
	Quantity	**Rupees in**	Quantity	Rupees in
7. Raw Materials consumed(all indigenous-unless mentioned otherwise) for manufacturing Carbon Black :	**MT**	**Lakhs**	MT	Lakhs
(i) L.D.O.	**957**	**216.62**	853	296.41
(ii) Indigenous Carbon Black Feed Stock	**11,764**	**3,162.31**	10,859	1,825.67
(iii) Imported Carbon Black Feed Stock	**357,039**	**87,179.23**	427,380	60,603.32
(iv) Tar Oil	**14,467**	**3,676.38**	10,517	1,583.99
(v) Others	**76**	**10.33**	32	12.75
	384,303	**94,244.87**	449,641	64,322.14
Less: Consumption through Research and Development runs:				
Imported Carbon Black				
Feed Stock	**1,045**	**190.12**	1,449	216.73
Tar Oil	**18**	**3.24**	322	39.15
Indigenous feed stock	**319**	**52.04**	-	-
	382,921	**93,999.47**	447,870	64,066.26

8. CIF Value of Imports -	**Year Ended 31st March, 2009 Rupees in Lakhs**	Year Ended 31st March, 2008 Rupees in Lakhs
(a) Raw Materials	**76493.87**	57,697.50
(b) Stores and Spares	**504.08**	242.15
(c) Capital Equipment	**703.84**	953.05
9. Expenditure in Foreign Currency charged to the Profit and Loss Account on account of:		
(a) Commission on Export Sales	**109.28**	361.56
(b) Interest	**1,590.68**	524.99
(c) Others	**651.75**	514.60

10. Advances of Rs. 2,148.13 lakhs (Previous Year - Rs. 742.28 lakhs) includes Rs. 0.93 lakh (Previous Year - Rs. 1.08 lakhs) due by an Officer of the Company, maximum amount due at any time during the year - Rs. 1.09 lakhs (Previous Year - Rs.1.24 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 :
(a) Certain items of Plant and Machinery being energy saving devices added during the period ended 31st March,1987 : Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.
(b) Other assets added upto 31st March,1987 : Under written down value method at rates specified in Schedule XIV of the Companies Act, 1956.
(c) Additions since 1st April, 1987 : Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.

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 for 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 upto 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, 2009 on items of fixed assets revalued include an additional charge of Rs. 278.33 lakhs (Previous Year - Rs. 279.39 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:
(a) Capital Advances unsecured, considered good - Rs. 11,105.45 lakhs (31st March, 2008 - Rs. 4,738.05 lakhs)
(b) Borrowing cost Rs. 2,938.02 lakhs (31st March, 2008 - Rs. 555.34 lakhs)

12. Details of Deferred Tax Asset/ Liability considered in these accounts :-	**As at31st March, 2009 Rupees in Lakhs**	As at31st March, 2008 Rupees in Lakhs
Deferred Tax Liability on account of -		
- Depreciation	**3,717.72**	4,046.75
- Others	**13.38**	0.58
	3,731.10	4,047.33
Deferred Tax Asset on account of -		

- Items allowable for tax purpose on payment	**3,560.00**	517.10
	3,560.00	517.10
	171.10	3,530.23

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.

Contingent Liabilities for :	**As at31st March, 2009 Rupees in Lakhs**	As at31st March, 2008 Rupees in Lakhs
(14.1) Outstanding Bank Guarantees etc.	**377.20**	74.96
(14.2) Bills discounted	**1,923.90**	-
(14.3) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :		
(a) On behalf of bodies corporate and others (other than guarantees which according to legal opinion are no longer enforceable against the Company)		
- Limit	**9.00**	9.00
- Outstanding	**9.00**	9.00
(b) for repayment of Housing Loan granted by Housing Development Finance Corporation Ltd. to employees of the Company	**6.55**	8.90
(14.4) Claims against the Company not acknowledged as debts :		
(a) Income-tax matters pending (other than matters set aside for reassessment)	**0.87**	301.54
(b) Sales Tax matters	**-**	193.27
15. Premium on foreign exchange arising from forward exchange contract to be recognised in the accounts of future periods Rs. 248.30 lakhs(Previous Year - Rs. 2.53 lakhs).		
16. Earnings in Foreign Exchange on Account of :		
Export Sales (F.O.B. Value)	**25,566.71**	21,966.04
Carbon Credit	**-**	277.77
17. Capital Commitments [net of advances Rs. 11,105.45 lakhs (31st March, 2008 - Rs. 4,738.05 lakhs)] not provided for as at 31st March, 2009 are estimated at Rs. 10,806 lakhs (31.03.2008 – Rs. 11,950 lakhs)		

18.1 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, 2009	As at31st March, 2008	**As at31st March, 2009**	As at31st March, 2008	**As at31st March, 2009**	As at31st March, 2008
Opening balance	**581.24**	550.00	**92.92**	135.10	**53.03**	44.91
Current Service Cost	**36.20**	34.41	**63.08**	16.29	**0.63**	0.45
Interest cost	**41.65**	44.96	**6.10**	11.48	**3.98**	3.78
Actuarial (loss) / gain	**14.51**	(6.11)	**21.66**	(42.76)	**12.78**	4.65
(Benefits paid)	**(51.95)**	(42.02)	**(23.27)**	(27.19)	**0.00**	(0.76)
Closing balance	**621.65**	581.24	**160.49**	92.92	**70.42**	53.03

18.2 Reconciliation of opening and closing balances of the fair value of plan assets * :		
		Rupees in Lakhs
	Gratuity	
	As at31st March, 2009	As at31st March, 2008
Opening balance	**515.98**	455.98
Expected return on Plan Asset	**41.28**	36.48
Actuarial loss / (gain)	**(41.28)**	(32.57)
Company's contribution	**105.23**	98.11
Benefits paid	**(51.95)**	(42.02)
Closing balance	**569.26**	515.98
* Consisting Funds maintained with LIC. Actual Return thereon awaited.		

18.3 Amount recognised in Balance Sheet :						Rupees in Lakhs
	Funded		Unfunded			
	Gratuity		Leave Encashment		Medical	
	As at	As at	**As at**	As at	**As at**	As at
	31st March, 2009	31st March, 2008	**31st March, 2009**	31st March, 2008	**31st March, 2009**	31st March, 2008
Present value of obligation	**621.65**	581.24	**160.49**	92.92	**70.42**	53.03
Fair Value of Plan Asset	**569.26**	515.98	**-**	-	**-**	-
Net Asset / (Liability)	**(52.39)**	(65.26)	**(160.49)**	(92.92)	**(70.42)**	(53.03)

18.4 Amount recognised in Profit and Loss Account –

Rupees in Lakhs

	Gratuity		Leave Encashment		Medical	
	Year Ended 31st March, 2009	Year Ended 31st March, 2008	**Year Ended 31st March, 2009**	Year Ended 31st March, 2008	**Year Ended 31st March, 2009**	Year Ended 31st March, 2008
Current service cost	**36.20**	34.41	**63.08**	16.29	**0.63**	0.45
Interest cost	**41.65**	44.96	**6.10**	11.48	**3.98**	3.78
Expected Return on Plan Asset	**(41.28)**	(36.48)	**-**	-	**-**	-
Actuarial loss / (gain)	**55.79**	26.46	**21.66**	(42.76)	**12.78**	3.89
Recognised in Profit and Loss Account	**92.36**	69.35	**90.84**	(14.99)	**17.39**	8.12
Under	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund		Salaries, Wages and Bonus		Labour and Staff Welfare	

18.5 Principal Actuarial Assumptions used –		
	Year Ended31st March, 2009	Year Ended31st March, 2008
Mortality Table	LICI 1994-1996	LICI 1994-1996
Discount rate	**7.50%**	8.5%
Inflation rate	**5.00%**	6.0%
Expected Return on assets	**8.00%**	8.0%
Medical cost trend rates	**5.00%**	5.0%
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.		

18.6 Effect of increase / decrease of one percentage point in the assumed medical cost trend rates on:				
	Year Ended 31st March, 2009		Year Ended 31st March, 2008	
	Increase	**Decrease**	Increase	Decrease
	Rupees in Lakhs		Rupees in Lakhs	
Aggregate of current service cost and interest cost	**2.5**	**2.5**	1.72	1.72
Accumulated Post Employment benefit obligation for medical cost	**0.33**	**0.33**	0.13	0.13

18.7 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 AS 15 no additional contribution to the fund is required from the Company towards any inadequacy

18.8 For the Defined Contribution Plans amounts aggregating Rs. 196.24 lakhs have been recognised as expenses during the year (Previous Year - Rs. 187.31 lakhs).
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.

19. Segment Reporting

(a) Information relating to the two business segments, being carbon black and power has been disclosed as primary segments.

(b) Inter-segment transfers being power consumed for manufacture of carbon black are based on price paid for power purchased from external sources.

(c)Segment Revenues, Results and Other Information :

Business Segment						Rupees in Lakhs
	Year Ended 31st March, 2009			Year Ended 31st March, 2008		
	Carbon Black	**Power**	**Total**	Carbon Black	Power	Total
(i) Segment Revenue						
External Sales	**127,208.19**	**1,550.79**	**128,758.98**	114,983.75	1,493.53	116,477.28
Inter-segment Sales	**-**	**788.02**	**788.02**	-	895.94	895.94
	127,208.19	**2,338.81**	**129,547.00**	114,983.75	2,389.47	117,373.22
(ii)Segment Results						
Profit before interest and tax	**(5,328.71)**	**2,020.59**	**(3,308.12)**	14,348.56	2,047.44	16,396.00
Unallocated (expenses)/ income (net)			**(3,485.80)**			(3,172.86)
Interest			**(2,936.13)**			(1,944.70)
Profit before tax			**(9,730.05)**			11,278.44
(iii) Segment Assets	**56,353.54**	**3,382.21**	**59,735.75**	63,388.50	3,624.26	67,012.76
Unallocated			**44,509.78**			18,393.76
			104,245.53			85,406.52
(iv) Segment Liabilities	**80,511.45**	**210.70**	**80,722.15**	54,185.77	809.90	54,995.67
Unallocated			**1,704.84**			6,131.22
			82,426.99			61,126.89
(v) Capital Expenditure	**758.36**	**-**	**758.36**	532.12	-	532.12
(vi) Depreciation	**1,764.22**	**199.45**	**1,963.67**	1,814.10	199.49	2,013.59
(vii) Non Cash Expense other than Depreciation (unallocated)			**52.84**			67.02

Geographical Segment	Year Ended 31st March, 2009			Year Ended 31st March, 2008		
	Within India	**Outside India**	**Total**	Within India	Outside India	Total
(i) Segment Revenue	**103,192.27**	**25,566.71**	**128,758.98**	94,511.24	21,966.04	116,477.28
(ii) Capital Expenditure	**758.36**	**-**	**758.36**	532.12	-	532.12
(iii) Segment Assets	**102,367.41**	**1,687.18**	**104,054.59**	81,207.79	4,198.73	85,406.52

20. Related Party Disclosures :	
Name of the transacting related parties, nature of relationship, transactions and outstanding items:	
Name of the Related Parties	Nature of Relationship
Phillips Carbon Black Cyprus Holding Limited	Wholly owned Subsidiary Company
Phillips Carbon Black Netherlands Holding BV	Wholly owned Subsidiary Company of Phillips Carbon Black Cyprus Holding Ltd.
Mr. Ashok Goyal, Managing Director	Key Management Person

Transactions with related parties referred to in above :

- Equity Contribuition to the Subsidiary Rs. 26.18 lakhs (31.03.2008 - Nil).
- Remuneration paid/ payable for the year ended 31st March, 2009 Rs. 166.67 lakhs (Previous Year - Rs. 144.08 lakhs)

21. 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.

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

23. Interest expenditure is net of Rs. 278.60 lakhs (Previous Year - Rs. 95.41 lakhs) being interest earned on Fixed Deposits and Margin Money Deposits [Gross, Tax Deducted at source Rs. 63.13 lakhs (Previous Year - Rs. 21.62 lakhs)]

24. Rent of Rs. 73.61 lakhs (Previous Year - Rs. 62.19 lakhs) relates to cancelable operating leases taken on or after 1.04.2001. These lease arrangements range from 11 months to 3 years and are primarily in respect of accommodation for employees, offices, warehouses etc. and inter alia include escalation clause and option for renewal.

25. In respect of the investments, in the opinion of the Board, the year - end diminution in value (estimated to be in the region of Rs. 1560.57 Lakhs (31.03.2008 - Nil) is on account of temporary market features and these being long term investments, no provision has been deemed necessary. These would, however, be covered adequately by the Company's year end free reserves.

26. Previous Year's figures have been regrouped or rearranged where considered necessary.

Cash Flow Statement for the year ended 31st March, 2009					
		Year Ended 31st March, 2009 Rupees in lakhs		Year Ended 31st March, 2008 Rupees in lakhs	
A.	**Cash Flow From Operating Activities**				
	Net Profit before taxation		**(9,730.05)**		11,278.44
	Adjustments for:				
	Depreciation	**1,963.67**		2,013.59	
	Loss on sale of fixed assets (net)	**379.68**		39.63	
	Unrealised (gain) / loss (net) on foreign exchange fluctuation	**201.09**		443.76	
	Income from Dividend	**(177.00)**		(155.11)	
	Interest (Received/ Receivable on Inter Corporate Deposits etc.)	**(188.29)**		(78.45)	
	Profit (net) on sale of Investment	**(1,113.31)**		(5.94)	
	Interest (Paid/ Payable on loans etc)	**2,936.13**		1,944.70	
	Bad Debts written off (net)	**48.64**		342.03	
	Provision for Doubtful Debts (net)	**36.31**		113.70	
	Provision for diminution in value of investments	**0.10**		-	
	Amortisation of payments under Voluntary Retirement Schemes	**52.84**		67.02	
			4,139.86		4,724.93
	Operating Profit before Working Capital Changes		**(5,590.19)**		16,003.37
	Adjustments for:				
	Inventories	**3,431.50**		(4,042.64)	
	Trade and Other Receivables	**2,594.75**		(1,059.09)	
	Trade Payables	**11,905.92**		(992.29)	
			17,932.17		(6,094.02)
	Cash Generated from Operations		**12,341.98**		9,909.35
	Direct Taxes Paid (including Tax Deducted at Source)		**(947.82)**		(3,326.46)
	Payments under Voluntary Retirement Scheme		**(37.20)**		(51.80)
	Net Cash from Operating Activities		**11,356.96**		6,531.09
B.	**Cash Flow from Investing Activities**				
	Payments for fixed assets	**(24,345.38)**		(10,920.21)	
	Sale proceeds of fixed assets	**107.59**		18.93	
	Purchase of Investment	**(54,939.83)**		(38,775.68)	
	Investment in Phillips Carbon Black Cyprus Holdings Ltd	**(26.18)**		-	

	Sale of Investment	**55,104.98**		38,781.62	
	Dividend received from Investments	**177.00**		155.11	
	Inter Corporate Deposits given	**(3,770.00)**		(1,000.00)	
	Inter Corporate Deposits realised	**3,770.00**		1,132.75	
	Interest Received Others	**5.35**		139.36	
	Interest Received on Inter Corporate Deposits etc.	**141.49**		122.71	
	Net Cash used in Investing Activities		**(23,774.98)**		(10,345.41)
C.	**Cash Flow from Financing Activities**				
	Allotment money (including premium) received	**4,023.04**		0.18	
	Proceeds from long term borrowings	**24,466.92**		4,218.80	
	Proceeds from short term borrowings	**10,175.00**		4,000.00	
	Redemption of Debentures	**-**		(1,000.00)	
	Repayment of long term borrowings	**(2,851.93)**		(1,543.13)	
	Repayment of short term borrowings	**(11,175.00)**		(3,000.00)	
	Increase / (Decrease) in cash credit facilities, temporary	**(7,343.93)**		1,332.34	
	overdraft etc. from banks				
	Dividends paid (including tax on dividend)	**(1,172.45)**		(586.73)	
	Interest paid	**(4,496.25)**		(2,317.46)	
	Net Cash used in Financing Activities		**11,625.40**		1,104.00
	Net increase in Cash and Cash Equivalents		**(792.62)**		**(2,710.32)**
	Opening Cash and Cash Equivalents		**1,506.09**		**4,216.41**
	Closing Cash and Cash Equivalents		**713.47**		**1,506.09**

Notes:

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

2. Cash and Cash Flow Statements (refer Schedule 8 to Balance Sheet) include balances of Rs.11.50 lakhs (Previous Year`s fig. 11.50 lakhs) with scheduled banks on Margin Money/ Special Account, not available for immediate/ ready use by the Company.

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

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

P. Law Partner (Membership No. 51790) For and on behalf of PRICE WATERHOUSE, Chartered Accountants. Kolkata 28th April, 2009	Kaushik Mukherjee Company Secretary	Ashok Goyal Managing Director	K. S. B. Sanyal O. P. Malhotra Directors

ANNEXURE – AUDITORS REPORT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.03.2008

M/S.PRICE WATERHOUSE.
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMBERS OF
PHILLIPS CARBON BLACK LIMITED

1.	We have audited the attached Balance Sheet of Phillips Carbon Black Limited, as at 31st March 2008, 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 during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
		(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 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. Accordingly, the paragraphs 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the Order are not applicable.
		(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. Accordingly, the paragraphs 4(iii) (f) and 4(iii) (g) of the Order are not applicable.
	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. The Company has not provided any service during the year. 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, commenting on transactions made in pursuance of such contracts or arrangements does not arise.	
	3.6	In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the	

		Act or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us , no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
	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 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 is regular in depositing 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, the particulars of dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2008 which have not been deposited on account of a dispute are as follows :

Name of the Statue	Nature of the Dues	Amount (Rupees in Lakhs)	Forum where the Dispute is Pending
Kerala Sales Tax Act, 1963	Interest on delayed payment of Sales Tax	193.27	Supreme Court of India

	3.10	The Company has no accumulated losses as at 31st March 2008 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 information and explanations given and the records of the Company examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
	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 redeemed during the year the debentures issued in earlier year and has no debentures outstanding at the year-end.

	3.20	The Company has not recently raised any money by public issue.
	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 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 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, as on 31st March 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
	(f)	In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
(i)	in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;	
(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.	

P. Law
Partner
(Membership number 51790)
for and on behalf of
PRICE WATERHOUSE,
Chartered Accountants.

Kolkata, 28th April, 2008

Balance Sheet As On 31st December,2008

	Schedule	**As at 31st March, 2008** Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**2,525.25**	2,525.23
Convertible Warrants issued and allotted (Note 2 on Schedule 18)		**447.00**	447.00
Reserves and Surplus	2	**21,307.38**	13,608.20
		24,279.63	16,580.43
LOAN FUNDS	3		
Secured Loans		**26,457.96**	23,154.47
Unsecured Loans		**2,583.41**	1,838.21
		29,041.37	24,992.68
Deferred Tax Liability (Net) [Note 12 on Schedule 18]		**3,530.23**	4,336.65
		56,851.23	45,909.76
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Gross Block		**45,065.68**	44,717.03
Less: Depreciation		**20,575.23**	18,686.55
Net Block		**24,490.45**	26,030.48
Capital Expenditure In Progress (Note 11.4 on Schedule 18)		**13,051.04**	2,107.61
		37,541.49	28,138.09
INVESTMENTS	5	**2,805.52**	2,805.52
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	**15,528.47**	11,485.83
Sundry Debtors	7	**21,756.76**	23,366.55
Cash and Bank Balances	8	**1,506.09**	4,216.41
Other Current Assets	9	**4,633.00**	2,463.04
Loans and Advances	10	**1,547.18**	1,402.88
		44,971.50	42,934.71
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	**27,373.49**	27,480.89
Provisions	12	**1,181.80**	590.90
		28,555.29	28,071.79
NET CURRENT ASSETS		**16,416.21**	14,862.92
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)			
Payments under Voluntary Retirement Schemes		**88.01**	103.23
		56,851.23	45,909.76
NOTES ON ACCOUNTS	18		

Profit and Loss Account for the year ended 31st March, 2008

				Year Ended 31st March,2008 Rupees in Lakhs			Year Ended 31st March,2007 Rupees in Lakhs
INCOME	**schedule**						
Sales - Carbon Black		**114,983.75**			111,276.24		
Less : Excise Duty		**13,159.12**			12,469.05		
			101,824.63			98,807.19	
Sales - Power			**1,493.53**			1,054.62	
Other Income	13		**612.22**			408.69	
Closing Stock of Finished Goods			**2,114.92**			1,399.13	
				106,045.30			101,669.63
EXPENDITURE							
Opening Stock of Finished Goods			**1,399.13**			1,998.35	
Raw Materials Consumed	14		**64,066.26**			67,262.00	
Expenses	15		**25,343.18**			22,657.89	
Depreciation			**2,013.59**			2,036.48	
Interest (Note 23 on Schedule 18)			**1,944.70**			3,260.27	
				94,766.86			97,214.99
PROFIT BEFORE TAXATION				**11,278.44**			4,454.64
Provision for Taxation				**2,347.59**			2,101.44
PROFIT AFTER TAXATION	16			**8,930.85**			2,353.20
Balance brought forward from previous year				**3,584.48**			1,999.18
Profit available for Appropriation				**12,515.33**			4,352.38
Proposed Dividend				**1,010.13**			505.06
Tax on Proposed Dividend				**171.67**			85.84
				11,333.53			3,761.48
Transferred to General Reserve				**900.00**			177.00
Balance Carried to Balance Sheet (Schedule 2)				**10,433.53**			3,584.48
Earnings per Share (Rs.)	17						
- Basic				**35.37**			11.75
- Diluted				**34.19**			11.47
Notes on accounts	18						

Schedules forming part of the Balance Sheet

SCHEDULE 1 - SHARE CAPITAL		**As at 31st March, 2008 Rupees in Lakhs**	As at 31st March, 2007 Rupees in Lakhs
AUTHORISED			
31,500,000	Equity Shares of Rs.10/- each	**3,150.00**	3,150.00
ISSUED, SUBSCRIBED AND PAID UP			
17,213,779	Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	**1,721.38**	1,721.38
	Less : Allotment Money receivable	**0.08**	0.10
		1,721.30	1,721.28
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**	369.28
4,346,667	Equity Shares of Rs.10/- each fully paid up other than cash	**434.67**	434.67
		2,525.25	2,525.23

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		**As at 31st March, 2008 Rupees in Lakhs**		As at 31st March, 2007 Rupees in Lakhs
Reserves				
Securities Premium				
Balance as per last Account	**6,644.67**		2,444.14	
Add: Received during the year	**0.16**		4,200.53	
(Note 1 below)		**6,644.83**		6,644.67
Capital Reserve		**156.81**		156.81
Debenture Redemption Reserve				
Balance as per last Account	**312.50**		312.50	
Less: Transferred to General Reserve	**312.50**		-	
(Note 2 below)		**-**		312.50
General Reserve				
Balance as per last Account	**2,909.74**		2,732.74	
Less: Transfer to Post Employment Medical Benefits Liability (Note 18.1 on Schedule 18)	**29.64**			
Less: Transfer to Gratuity Liability (Note 18.1 on Schedule 18)	**20.39**		-	
	2,859.71		2,732.74	
Add: Transfer from Debenture Redemption Reserve	**312.50**		-	
Add: Transfer from Profit and Loss Account	**900.00**		177.00	
		4,072.21		2,909.74
Surplus				
Profit and Loss Account		**10,433.53**		3,584.48
		21,307.38		13,608.20

Notes :

1. Net of allotment money receivable on account of Share Premium Rs 0.66 lakh (31.03.2007 - Rs 0.82 lakh).
2. Written back on redemption of debentures (Note 1 on Schedule 3).

Schedules forming part of the Balance Sheet
SCHEDULE 3 - LOAN FUNDS

	As at 31st March, 2008	As at 31st March, 2007
SECURED LOANS	**Rupees in Lakhs**	Rupees in Lakhs
Debentures- 8.60% Redeemable Non-Convertible Debentures (Note 1 below)	**-**	1,000.00
From Banks (Note 2 below)		
- Working Capital Demand Loan	**4,023.45**	1,200.00
- Cash Credit/Bank Overdraft facilities	**3,898.69**	4,837.44
-Foreign Currency Non-Repatriable Loans	**-**	771.77
- Export Packing Credit Loans/Post Shipment Demand Loans against Exports	**2,972.83**	2,687.71
Interest accrued and due	**13.04**	6.96
Term Loans from Banks (Note 3 below)	**15,500.82**	12,590.01
- Interest accrued and due	**48.77**	48.84
Vehicle Loans from Banks (Note 4 below)	**0.36**	11.74
	26,457.96	23,154.47
UNSECURED LOANS		
Loan from Bank -Short term	**1,000.00**	-
Dealers Security Deposits	**25.00**	8.00
Sales Tax Deferred Loans (Note 5 below)	**1,384.43**	1,453.12
External Commercial Borrowing (Note 6 below)	**173.98**	377.09
	2,583.41	1,838.21

SCHEDULE 3 - LOAN FUNDS

Notes

1. 8.60% Secured Redeemable Non-Convertible Debentures (privately placed, secured by way of registered mortgage of the immovable property in the Kalol sub-district in the State of Gujarat) have been redeemed at par on 31st Decmber, 2007.
2. Cash Credit/ Bank Overdraft facilities/ Loans - under consortium arrangements are with Bank of Baroda, Allahabad Bank , Export and Import Bank of India, ICICI Bank Ltd., State Bank of Bikaner & Jaipur and Citibank NA at Kolkata ; State Bank of India, Indian Overseas Bank and State Bank of Travancore at Kochi ; Syndicate Bank and Federal Bank at Mumbai. The above Cash Credit/ Bank Overdraft facilities/Loans are secured by way of hypothecation in favour of the said 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 Receivable, Claims, etc. held by any third party to the order of the disposition of the company excluding those relating to 30 MW Co-generation Power Plant at Durgapur in West Bengal and also by a *pari-passu* second charge 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 in Gujarat and Karimugal in Kochi .

SCHEDULE 3 - LOAN FUNDS (Contd.)

<u>Notes</u>

3 . Term Loans from Banks :

Term Loans from Banks other than loan for 30MW Co-generation Power Plant at Durgapur are secured by a *pari-passu* first charge basis 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 in Gujarat and Karimugal in Kochi, 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 is secured by an exclusive charge on the immovable and movable properties pertaining to the said Co-generation Power Plant.

4 . Vehicle loans from Banks are Secured by way of hypothecation of the vehicles financed by such loans.

5 . 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. 230.29 lakhs. (Previous Year -Rs 186.17 lakhs)

6 . External Commercial Borrowing repayable within one year Rs.173.98 lakhs (Previous Year - Rs.188.55 lakhs)

SCHEDULE 4 - FIXED ASSETS

(Rupees in Lakhs)

DESCRIPTION	Original/Revalued cost of Assets as at 31st March 2007	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 2008	Depreciation as at at 31st March 2007	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at at 31st March 2008	Balance as at 31st March 2008	Balance as at 31st March 2007
Freehold Land	**601.64**	**-**	**-**	**601.64**	**-**	**-**	**-**	**-**	**601.64**	601.64
Leasehold Land Acquisition and Development Expenses	**663.81**	**-**	**-**	**663.81**	**-**	**-**	**-**	**-**	**663.81**	663.81
Buildings (a)	**3,155.04**	**-**	**32.39**	**3,122.65**	**782.43**	**93.58**	**18.06**	**857.95**	**2,264.70**	2,372.61
Non-Factory Buildings and Flats	**1,573.07**	**-**	**3.44**	**1,569.63 (b)**	**247.95**	**33.33**	**0.70**	**280.58**	**1,289.05**	1,325.12
Plant and Machinery	**34,951.92**	**318.95**	**-**	**35,270.87**	**15,612.16**	**1,660.97**	**-**	**17,273.13**	**17,997.74**	19,339.76
Electrical Installations	**2,359.45**	**0.86**	**26.55**	**2,333.76**	**1,155.38**	**100.84**	**25.98**	**1,230.24**	**1,103.52**	1,204.07
Motor Vehicles	**422.31**	**130.04**	**103.32**	**449.03**	**182.17**	**40.02**	**69.94**	**152.25**	**296.78**	240.14
Furniture, Fixtures and Office Equipment	**693.15**	**82.27**	**17.77**	**757.65**	**456.56**	**38.72**	**10.23**	**485.05**	**272.60**	236.59
Railway Sidings	**89.62**	**-**	**-**	**89.62**	**89.01**	**-**	**-**	**89.01**	**0.61**	0.61
Software	**207.02**	**-**	**-**	**207.02**	**160.89**	**46.13**	**-**	**207.02**	**-**	46.13
	44,717.03	**532.12**	**183.47**	**45,065.68**	**18,686.55**	**2,013.59**	**124.91**	**20,575.23**	**24,490.45**	26,030.48
Previous Year	44,552.26	303.96	139.19	44,717.03	16,683.64	2,036.48	33.57	18,686.55	26,030.48	

Notes:

(a) Cost and accumulated depreciation include Rs. 2,915.57 lakhs (31.03.2007 - Rs. 2,915.57 lakhs) and Rs. 782.99 lakhs (31.03.2007 - Rs. 695.84 lakhs) respectively in respect of Buildings on leasehold land.

(b) Includes Rs 84.00 lakhs (31.03.2007 - Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs. 9.84 lakhs (31.03.2007 - Rs. 9.84 lakhs) being one-sixth share of jointly owned property.

SCHEDULE 5 - INVESTMENTS (Long-Term) [Note 1(vi) on Schedule 18]		**As at 31st March, 2008**		As at 31st March, 2007
		Rupees in Lakhs		Rupees in Lakhs
TRADE -				
Quoted				
4,155,743 Fully paid Equity Shares of Rs 10/- each in CEAT Ltd (Note 3 below) (31.03.2007 - 5,540,991)		**2,614.91**		2,614.91
Unquoted (Note 3 below)				
1,385,247 Fully paid Equity Shares of Rs 10/- each in CHI Investments Ltd.		-		-
OTHER THAN TRADE -				
Quoted				
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	
17,417 6.75% Tax Free US-64 Bonds of Rs.100/- each in Unit Trust of India	**21.09**		21.09	
77,000 Fully paid Equity Shares of Rs 10/- each in CESC Ltd.	**150.15**		150.15	
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	
		441.52		441.52
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
		3,056.53		3,056.53
Less : Provision for diminution in value of Investments		**251.01**		251.01
		2,805.52		2,805.52

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. 4,910.75 lakhs (31.03.2007 - Rs. 6,310.72 lakhs)	**2,805.42**	2,805.42
(2) Aggregate amount of Unquoted Investments (Note 3 below)	**0.10**	0.10
	2,805.52	2,805.52

(3) Pursuant to the Scheme of Arrangement between CEAT Ltd. and CHI Investments Ltd.-
(a) Subscribed and Paid up share capital of CEAT Ltd. has been reduced and in consequence, the Company's holding of 5,540,991 Equity shares of Rs. 10/- each in CEAT Ltd. stands reduced to 4,155,743 Equity shares of Rs. 10/- each, fully paid up;
(b) 1,385,247 Equity shares of Rs. 10/- each, fully paid up, in CHI Investments Ltd. have been allotted to the Company.

There being no cost incurred by the Company for acquiring these shares, no value has been assigned to this investment. These shares have been since quoted in the Bombay and National Stock Exchanges.

(4) Units of Mutual Funds purchased and sold during the year	Number of units	Book Value Rupees in lakhs
Birla Cash Plus - Institutional - Daily Dividend- Reinvestment	6,021,334	650.44
Birla Cash Plus - Institutional Premium - Daily Dividend - Reinvestment	72,726,004	7,286.78
Birla Cash Plus - Institutional Premium - Growth	1,394,700	175.00
Reliance Floating Rate Fund - Daily Dividend Reinvestment Plan	22,374,082	2,253.00
Reliance Liquidity Fund- Daily Dividend Reinvestment Option	82,900,869	8,292.66
UTI Cash Plan Institutional - Growth Option	266,430	3,475.00
UTI Liquid Cash Plan Institutional - Daily Income - Reinvestment	1,210,273	12,338.07
DSP Merrill Lynch Liquid Plus Daily Dividend	50,025	500.44
DSP Merrill Lynch Cash Plus - Institutional - Daily Dividend	190,133	1,901.52
DSP Merrill Lynch Liquid Plus Institutional Plan - Daily Dividend	190,204	1,902.77

		As at31st March, 2008 Rupees in Lakhs		As at31st March, 2007 Rupees in Lakhs
SCHEDULE 6 - INVENTORIES[Note 1(vii) on Schedule 18]				
Stores and Spares		**1,321.75**		1,043.46
Raw Materials		**12,091.80**		9,043.24
Finished Goods		**2,114.92**		1,399.13
		15528.47		11485.83

SCHEDULE 7 – SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months				
Considered Good		**1,254.50**		4,446.29
Considered Doubtful	**1,177.40**		1,063.70	
Less : Provision	**1,177.40**	**-**	1,063.70	-
		1,254.50		4,446.29
Other Debts - Considered Good		**20,502.26**		18,920.26
		21,756.76		23,366.55

SCHEDULE 8 - CASH AND BANK BALANCES

Cash on Hand	**4.12**	2.42
Remittances in Transit	**1,392.69**	909.16
With Scheduled Banks:		
- On Current Accounts	**65.54**	259.23
- On Unpaid and Unclaimed Dividend Accounts (as per contra Schedule 11)	**34.74**	30.57
- On Margin Money Account against Letter of Credit/Guarantee	**9.00**	3,015.03
	1,506.09	4,216.41

SCHEDULE 9 - OTHER CURRENT ASSETS

Considered good		
Balances with Customs, Port Trust and Excise Authorities etc.	**2,580.31**	809.47
Other Deposits [including Rs 0.80 lakh, (31.03.2007 - Rs. 0.80 lakh) in the form of National Savings Certificate II Series]	**927.55**	643.10
Accruals under Duty Exemption Scheme pertaining to exports / deemed exports	**952.81**	838.14
Accrued benefit under Duty Drawback	172.33	172.33
	4,633.00	2,463.04

SCHEDULE 10 - LOANS AND ADVANCES

Unsecured - Considered good		
Advances recoverable in cash or in kind or for value to be received :		
Intercorporate Deposits (including accrued interest)	**-**	199.37
Others (Note 10 on Schedule 18)	**742.28**	583.67
Advance payment of Taxes, etc. [net of Provision for Taxation Rs. 6,883.22 lakhs, (31.03.2007 - Rs. 3,754.97 lakhs)]	**804.90**	619.84
	1,547.18	1,402.88

SCHEDULE 11 - LIABILITIES		As at31st March, 2008 Rupees in Lakhs		As at31st March, 2007 Rupees in Lakhs
Acceptances		-		209.67
Sundry Creditors				
-Dues to Micro Enterprises and Small Enterprises (Note 1 below)	**21.18**		86.73	
- Others	**26,933.12**		27,038.03	
		26,954.30		27,124.76
Investor Education and Protection Fund shall be credited by the following amounts (Note 2 below) :				
- Unpaid dividend (as per contra Schedule 8)		**34.74**		30.57
- Unpaid matured deposits		**7.34**		10.76
Interest Accrued but not due on borrowings		**377.11**		105.13
		27,373.49		27,480.89

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, 2008.
2. No amount was due for deposit as on the Balance Sheet date.

	As at 31st March, 2008 Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs
SCHEDULE 12 - PROVISIONS		
Proposed Dividend	**1,010.13**	505.06
Tax on Proposed Dividend	**171.67**	85.84
	1,181.80	590.90

SCHEDULE 13 - OTHER INCOME				
Interest (Gross,Tax deducted at source Rs.16.34 lakhs; Previous Year - Rs. 15.79 lakhs)				
- On Deposits	**72.44**		38.83	
- On Others	**6.01**		23.18	
		78.45		62.01
Dividend				
- From Trade Investments	**99.74**		-	
- From Others	**55.37**		2.87	
		155.11		2.87
Revenue from Carbon Credit		**277.77**		277.66
Profit on Sale of Investments (net)		**5.94**		1.33
Miscellaneous		**94.95**		64.82
		612.22		408.69

SCHEDULE 14 - RAW MATERIALS CONSUMED		
Opening Stock	**9,043.24**	6,141.93
Add : Purchases (Notes 4.1 and 4.2 on Schedule 18)	**67,114.82**	70,163.31
	76,158.06	76,305.24
Less : Closing Stock	**12,091.80**	9,043.24
	64,066.26	67,262.00

		As at31st March, 2008 Rupees in Lakhs		As at31st March, 2007 Rupees in Lakhs
SCHEDULE 15 - EXPENSES				
Salaries, Wages and Bonus		**2,513.38**		1,996.06
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund		**261.10**		261.97
Labour and Staff Welfare		**282.55**		249.57
Consumption of Stores, Spares and Packing Materials		**3,317.56**		3,184.43
Power and Fuel		**653.68**		546.26
Water Charges		**102.67**		89.40
Rent		**62.19**		62.20
Rates and Taxes		**84.88**		157.18
Maintenance and Repairs :				
- Buildings	**102.79**		160.97	
- Plant and Machinery	**484.84**		476.43	
- Others	**201.37**		153.37	
		789.00		790.77
Insurance		**81.19**		82.50
Travelling and Transport Expenses		**534.23**		369.05
Subscriptions and Donations		**99.07**		30.95
Discounting Charges		**18.68**		257.89
Miscellaneous Expenses		**3,229.50**		3,507.38
Freight Outward		**2,062.17**		2,064.42
Commission and Discount		**11,612.53**		7,860.20
Directors' Fees		**6.85**		4.65
Research and Development Expenses (Note 4.2 on Schedule 18)		**309.15**		58.21
Loss on Disposal of Fixed Assets (net)		**39.63**		47.10
(Gain) / Loss on Foreign Exchange Fluctuations (net)		**(1,172.56)**		311.99
Provision for diminution in value of Investments		**-**		101.01
Bad Debts written off (net)		**342.03**		-
Provision for Doubtful Debts (net)		**113.70**		624.70
		25,343.18		22,657.89

	As at 31st March, 2008 Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs
SCHEDULE 16 - PROVISION FOR TAXATION		
Current Tax (net of MAT credit Rs. 389.51 lakhs, Previous Year - Nil)	**3,034.00**	525.38
Deferred Tax (release) / charge	**(780.66)**	1,501.82
Fringe Benefit Tax	**94.25**	74.24
	2,347.59	2,101.44
SCHEDULE 17 - BASIC AND DILUTED EARNINGS PER SHARE		
Adjusted Number of Equity Shares at the beginning of the period	**25,252,182(1)**	17,751,432(3)
Adjusted Number of Equity Shares at the end of the period	**25,253,080(2)**	25,252,182(1)
Weighted average number of Equity Shares outstanding during the period (Basic EPS)	**25,252,616(4)**	20,022,903 (6)
Weighted average number of Equity Shares outstanding during the period (Diluted EPS)	**26,120,288(5)**	20,509,070(7)
Nominal Value of each Equity Share (Rs.)	**10**	10
Profit after Taxation available for Equity Shareholders (Rupees in Lakhs)	**8,930.85**	2,353.20
Basic Earnings per Share (Rs.)	**35.37**	11.75
Diluted Earnings per Share (Rs.)	**34.19**	11.47

Adjusted Number of Equity Shares	(1)			(2)			(3)		
	As at 31st March, 2007/ 1st April, 2007			**As at 31st March, 2008**			**As at 1st April, 2006**		
			Total			Total			Total
Number of Shares issued	25,206,182	47,014	25,253,196	25,206,182	47,014	25,253,196	17,706,182	47,014	17,753,196
Nominal Value (Rs.)	252,061,820	470,140	252,531,960	252,061,820	470,140	252,531,960	177,061,820	470,140	177,531,960
Paid up Value (Rs.)	252,061,820	460,000	252,521,820	252,061,820	468,980	252,530,800	177,061,820	452,500	177,514,320
Adjusted Number of shares	25,206,182	46,000	25,252,182	25,206,182	46,898	25,253,080	17,706,182	45,250	17,751,432

Weighted average number of shares for Basic EPS

(4)

Year ended 31st March, 2008			
Date	No. of Shares Outstanding	Days	Proportionate number of shares outstanding
1-Apr-07	25,252,182	78	5,381,613
18-Jun-07	25,252,280	24	1,655,887
12-Jul-07	25,252,476	116	8,003,517
5-Nov-07	25,252,926	36	2,483,894
11-Dec-07	25,253,030	100	6,899,735
20-Mar-08	25,253,080	12	827,970
Weighted average number			25,252,616

Weighted average number of shares for Diluted EPS

(5)

Year ended 31st March, 2008			
Date	No. of Shares Outstanding	Days	Proportionate number of Shares outstanding
1-Apr-07	26,119,854	78	5,566,526
18-Jun-07	26,119,952	24	1,712,784
12-Jul-07	26,120,148	116	8,278,517
5-Nov-07	26,120,598	36	2,569,239
11-Dec-07	26,120,702	100	7,136,804
20-Mar-08	26,120,752	12	856,418
Weighted average number			26,120,288

(6)

Year ended 31st March, 2007			
Date	No. of Shares Outstanding	Days	Proportionate number of Shares outstanding
1-Apr-06	17,751,432	199	9,678,178
17-Oct-06	21,251,432	50	2,911,155
6-Dec-06	21,252,182	54	3,144,158
29-Jan-07	25,252,182	62	4,289,412
Weighted average number			20,022,903

(7)

Year ended 31st March, 2007			
Date	No. of Shares Outstanding	Days	Proportionate numb Shares outstanc
1-Apr-06	17,751,432	199	9,678,178
17-Oct-06	21,251,432	3	174,669
20-Oct-06	22,578,994	3	185,581
23-Oct-06	23,021,514	44	2,775,196
6-Dec-06	23,022,264	54	3,406,034
29-Jan-07	25,252,182	62	4,289,412
Weighted average number			20,509,070

Reconciliation of Weighted Average Number of shares considered for Basic EPS and Diluted EPS

			Weighted average number of shares
Considered for Basic EPS (4)			fs25,252,616
Add:Equivalent number of diluted shares deemed to have been issued on allotment of Warrants on:			
Date	Number	Days	
1-Apr-07	867,672	366	867,672
Considered for Diluted EPS (5)			26,120,288

SCHEDULE 18 - 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 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 includes 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 Costs

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. Such additional depreciation is adjusted against the available balance in Revaluation Reserve in respect of related items.

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

(v) Foreign Currency Transactions

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.

Exchange differences (including arising on the forward exchange contracts) in respect of liabilities incurred to acquire fixed assets from outside India, which were hitherto adjusted to the carrying amount of the related fixed assets have been recognised in the Profit and Loss Account from the current financial year.

(vi) Investments

Investments are valued at cost less provision for diminution (other than temporary) in the value 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 material cost (determined on the basis indicated above), 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 despatch / 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

Accounting Standard (AS) 15 Employee Benefits issued (revised AS 15) has been adopted from the current FY.:

a. (i) Monthly contribution payable by the Company at a specified percentage of the eligible pay of covered employees to the provident funds, (Defined Contribution Plan) maintained with separate Trusts established under Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees Provident Fund Scheme, 1952 for Head Office and Durgapur Plant employees and with Regional Provident Fund Commissioners (RPFCs) for other employees, is recognised as a 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.

(ii) Annual contribution payable by the Company at a specified percentage of the eligible salaries of certain employees covered under the Company's superannuation scheme (Defined Contribution Plan) to a separate superannuation fund, established by the Company (approved by Income-tax authorities) for payment of pensions to the covered employees after their retirement based on the tenure of their employment, is recognised as a revenue charge on accrual basis.

(iii) For the purpose of payment of gratuity to its employees on cessation of their employment based on their pay and tenure of employment, the Company has taken gratuity policies (Defined Benefit Plan) with Life Insurance Corporation of India (LIC). Liability on account of gratuity was hitherto recognised as revenue charge on the basis of actuarial valuation carried out by LIC for determining year's contribution payable for the policy. Effective current financial year, such liability has been determined by actuarial valuation based on the method prescribed by revised AS 15. The shortfall of the opening transitional liability net of deferred tax has been appropriated from General Reserve.

(iv) Liability of the Company accrued towards leave encashment benefit extended to its employees on cessation of service, based on their pay and number of days of unavailed leave, subject to a ceiling on encashable accumulated leave (Defined Benefit Plan) is evaluated on the basis of actuarial valuation, such actuarial valuation for the current financial year is based on the method prescribed by revised AS 15 and recognised as revenue charge on accrual basis.

(v) Liability of the Company accrued towards post employment medical benefits extended to certain categories of its employees comprising payment of annual medical insurance premium to cover hospitalisation and reimbursement of domiciliary medical expenses within a defined monetary limit (Defined Benefit Plan), which was hitherto accounted for on the basis of premium payable and claims of the eligible retired employees, has been recognised in the current financial year on the basis of actuarial valuation on the method prescribed by revised AS 15. The opening transitional liability net of deferred tax has been appropriated from General Reserve.

b. Payments under Voluntary Retirement Schemes are amortised over the period being lower of :

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

(x) Research and Development

Revenue expenditure on research and development is charged against the profit for the period in which it is incurred.

(xi) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are periodically reviewed to reassess realisation thereof.

[2] Pursuant to the approval of the members of the Company in accordance with SEBI guidelines 30,00,000 Convertible Warrants of Rs 149 each with an option to subscribe to one Equity Share of Rs 10 each fully paid up, within 18 months of the date of allotment have been allotted on 15th March, 2007 on preferential basis upon upfront payment of 10% of the total subscription money.

(3.1] Managerial Remuneration :

	Year Ended 31st March, 2008 Rupees in Lakhs	Year Ended 31st March, 2007 Rupees in Lakhs
Amounts paid/ payable to :		
a) Managing Director		
Salaries, Bonus and Allowances	**134.31**	53.65
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	**7.25**	5.97
Perquisites	**2.52**	5.41
	144.08	65.03
b) Other Directors		
Directors' Fees	**6.85**	4.65

[3.2] Computation of Net Profit under Section 198(1) / 349 of the Companies Act, 1956 has not been provided in view of waiver of commission by the concerned Directors.

[4.1] Raw Material Purchase is net of Rs. 916.31 lakhs (Previous year - Rs. 2,968.71 lakhs) being benefits under Duty Exemption Schemes pertaining to exports / deemed exports and Duty Drawback.

[4.2] Reserch and Development Expenses includes Raw Materials Consumed Rs. 255.88 lakhs (Previous year - 22.83 lakhs), Salaries, Wages and Bonus Rs. 30.98 lakhs (Previous year - Rs. 26.63 lakhs), Contribution to Provident Fund, Superannuation Fund and Gratuity Fund Rs. 3.25 lakhs (Previous year - Rs. 3.21 lakhs), Labour and Staff Welfare Rs. 1.64 lakhs (Previous year - Rs. 0.79 lakhs), Maintenance and Repairs - Building Rs. 0.19 lakhs (Previous year - Rs. 0.14 lakhs), Travelling and Transport Expenses Rs. 3.18 lakhs (Previous year - Nil) and Miscellaneous Expenses Rs. 14.03 lakhs (Previous year - Rs. 4.61 lakhs).

		Year Ended 31st March, 2008 Rupees in Lakhs	Year Ended 31st March, 2007 Rupees in Lakhs
[4.3]	Auditors' Remuneration:		
	Audit Fees	**16.00**	12.00
	Tax Audit	**4.00**	3.50*
	Others Certifications	**5.00**	5.55
	Reimbursement of Expenses (including Service Tax to the extent routed through Profit and Loss Account)	**0.49**	0.76
	*Includes Rs 0.50 lakh for Previous Year		

[5] Total Amount of Consumption of Raw Materials, Stores and Spares:

	Year Ended 31st March, 2008		Year Ended 31st March, 2007	
	%	**Value Rupees in Lakhs**	%	Value Rupees in Lakhs
Imported	**90**	**60,632.08**	86	60,616.21
Indigenous	**10**	**6,751.74**	14	9,830.22
Total	**100**	**67,383.82**	100	70,446.43

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

[6] Particulars of licensed capacity, installed capacity, Finished Goods and Sales:

	Year Ended 31st March, 2008				Year Ended 31st March, 2007			
	Carbon Black		**Power**		Carbon Black		Power	
	Quantity MT	**Rupees in Lakhs**	**Unit**	**Rupees in Lakhs**	Quantity MT	Rupees in Lakhs	Unit	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.	**270,000**		**12 MW**		270,000		12 MW	
Carbon Black :								
Opening Stock	**4,052**	**1,399.13**			5,660	1,998.35		
Actual Production @	**250,484**				244,900			
Closing Stock	**5,060**	**2,114.92**			4,052	1,399.13		
Sales (including sweepings)	**249,476**	**114,983.75**			246,508	111,276.24		
Power :								
Generation			**91,247,500 KWH (including Captive Consumption etc. of 30,998,019 KWH)**				93,814,550 KWH (including Captive Consumption etc. of 39,050,801 KWH)	
Sales			**60,249,481 KWH**	**1,493.53**			54,763,749 KWH	1,054.62
@ Including production for Research and Development runs and reprocessing			**987.17 MT**				91.90 MT	

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

	Year Ended 31st March, 2008 Quantity MT	**Year Ended 31st March, 2008 Rupees in Lakhs**	Year Ended 31st March, 2007 Quantity MT	Year Ended 31st March, 2007 Rupees in Lakhs
[7] Raw Materials consumed (all indigenous-unless mentioned otherwise) for manufacturing Carbon Black :				
(i) L.D.O.	**853**	**296.41**	361	118.77
(ii) Indigenous Carbon Black Feed Stock	**10,859**	**1,825.67**	31,501	4,969.36
(iii) Imported Carbon Black Feed Stock	**427,380**	**60,603.32**	406,803	60,531.26
(iv) Tar Oil	**10,517**	**1,583.99**	10,323	1,655.35
(v) Others	**32**	**12.75**	24	10.09
	449,641	**64,322.14**	449,012	67,284.83
Less: Consumption through Research and Devlopment runs: Imported Carbon Black				
- Feed Stock	**1,449**	**216.73**	163	22.83
- Tar Oil	**322**	**39.15**	-	-
	447,870	**64,066.26**	448,849	67,262.00

	Year Ended 31st March, 2008 Rupees in Lakhs	Year Ended 31st March, 2007 Rupees in Lakhs
[8] CIF Value of Imports -		
(a) Raw Materials	**57,697.50**	57,474.74
(b) Stores and Spares	**242.15**	83.30
(c) Capital Equipment	**953.05**	-
[9] Expenditure in Foreign Currency charged to the Profit and Loss Account on account of:		
(a) Commission on Export Sales	**361.56**	220.42
(b) Interest	**524.99**	1,642.65
(c) Others	**514.60**	118.26

[10] Advances of Rs. 742.28 lakhs (Previous Year - Rs. 583.67 lakhs) includes Rs. 1.08 lakhs (Previous Year - Rs. 1.24 lakhs) due by an Officer of the Company, maximum amount due at any time during the year - Rs. 1.24 lakhs (Previous Year - Rs.1.41 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 :

(a) Certain items of Plant and Machinery being energy saving devices added during the period ended 31st March,1987 : Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.

(b) Other assets added upto 31st March,1987 : Under written down value method at rates specified in Schedule XIV of the Companies Act, 1956.

(c) Additions since 1st April, 1987 : Under Straight line method at rates specified in Schedule XIV of the Companies Act, 1956.

[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 for 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 upto valuation dates, etc.

[11.3] 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.

Depreciation for the year ended 31st March, 2008 on items of fixed assets revalued include an additional charge of Rs. 279.39 lakhs(Previous Year - Rs. 301.88 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:

(a) Capital Advances unsecured, considered good - Rs. 4,738.05 lakhs (31st March,2007 - Rs. 1,363.95 lakhs)

(b) Borrowing cost Rs. 555.34 lakhs (31st March, 2007 - Rs. 342.83 lakhs)

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

[12] Details of Deferred Tax Asset/ Liability considered in these accounts :-

	As at 31st March, 2008 Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs
Deferred Tax Liability on account of -		
- Depreciation	**4,624.71**	4,823.08
- Others	**0.58**	0.73
	4,625.29	4,823.81
Deferred Tax Asset on account of -		
- Items allowable for tax purpose on payment	**517.10**	43.22
- Others	**577.96**	443.94
	1,095.06	487.16
	3,530.23	4,336.65

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

	As at 31st March, 2008 Rupees in Lakhs	As at 31st March, 2007 Rupees in Lakhs
[14] Contingent Liabilities for :		
(14.1) Outstanding Bank Guarantees etc.	**74.96**	248.20
(14.2) Bills discounted	**-**	1,813.75
(14.3) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :		
(a) on behalf of bodies corporate and others (other than guarantees which according to legal opinion are no longer enforceable against the Company)		
- Limit	**9.00**	9.00
- Outstanding	**9.00**	9.00
(b) for repayment of Housing Loan granted by Housing Development Finance Corporation Ltd. to employees of the Company.	**8.90**	12.16
(14.4) Claims against the Company not acknowledged as debts :		
(a) Income-tax matters pending (other than matters set aside for reassessment)	**301.54**	295.09
(b) Sales Tax matters	**193.27**	194.66

[15.1] Premium on foreign exchange arising from forward exchange contract to be recognised in the accounts of future periods Rs. 2.53 lakhs (Previous Year - Rs. 19.07 lakhs).

[15.2] In consequence of recognition of exchange differences (including arising on the forward exchange contracts) in respect of liabilities incurred to acquire fixed assets from outside India in the Profit and Loss Account [refer note 1(v) above] gain on foreign exchange fluctuation for the year has been increased by Rs. 30.29 lakhs.

[16] Earnings in Foreign Exchange on Account of -	**Year Ended 31st March, 2008 Rupees in Lakhs**	Year Ended 31st March, 2007 Rupees in Lakhs
Export Sales (F.O.B. Value)	**21,966.04**	**22,248.75**
Carbon Credit	**277.77**	**277.66**

[17] Capital Commitments (net of advances Rs. 4,738.05 lakhs , 31.03.2007 - Rs. 1,363.95 lakhs) not provided for as at 31st March, 2008 are estimated at Rs. 11,950 lakhs (31.03.2007 - Rs. 6,550 (lakhs)

[18.1] Consequent upon change in the accounting policy relating to employee benefits due to adoption of revised AS 15 [refer note 1(ix) above] in the current financial year, increase in the year's expenses and appropriation from General Reserve (net of Deferred tax of Rs. 25.76 lakhs) towards opening liabilities in terms of the transitional provisions contained in revised AS 15 are set out below:

		Increase/ (Decrease) in year's expenses		**Appropriated from General Reserve**
		Account head	**Rupees in Lakhs**	**Rupees in Lakhs**
	Post Employment Medical	Labour and Staff Welfare	7.36	29.64
	Gratuity	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	(1.91)	20.39

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

[18.2] **Reconciliation of opening and closing balances of the present value of defined benefit obligations–**

	Gratuity Rupees in Lakhs	**Leave Encashment Rupees in Lakhs**	**Medical Rupees in Lakhs**
Opening balance	550.00	135.10	44.91
Current Service Cost	34.41	16.29	0.45
Interest cost	44.96	11.48	3.78
Actuarial (loss) / gain	(6.11)	(42.76)	4.65
(Benefits paid)	(42.02)	(27.19)	(0.76)
Closing balance	581.24	92.92	53.03

[18.3] **Reconciliation of opening and closing balances of the fair value of plan assets * –**

	Gratuity Rupees in Lakhs	**Leave Encashment Rupees in Lakhs**	**Medical Rupees in Lakhs**
Opening balance	455.98	-	-
Expected return on Plan Asset	36.48	-	-
Actuarial loss / (gain)	(32.57)	-	-
Company's contribution	98.11	-	-
Benefits paid	(42.02)	-	-
Closing balance	515.98	-	-

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

[18.4] **Amount recognised in Balance Sheet –**

	Funded	**Unfunded**	
	Gratuity Rupees in Lakhs	**Leave Encashment Rupees in Lakhs**	**Medical Rupees in Lakhs**
Present value of obligation	581.24	92.92	53.03
Fair Value of Plan Asset	515.98	-	-
Net Asset / (Liability)	(65.26)	(92.92)	(53.03)

[18.5] **Amount recognised in Profit and Loss Account –**

	Gratuity Rupees in Lakhs	**Leave Encashment Rupees in Lakhs**	**Medical Rupees in Lakhs**
Current service cost	34.41	16.29	0.45
Interest cost	44.96	11.48	3.78
Expected Return on Plan Asset	(36.48)	-	-
Actuarial loss / (gain)	26.46	(42.76)	3.89
Recognised in Profit and Loss Account	69.35	(14.99)	8.12
Under	Contribution to Provident Fund, Superannuation Fund and Gratuity Fund	Salaries, Wages and Bonus	Labour and Staff Welfare

[18.6] **Principal Actuarial Assumptions used –**

Mortality Table	LICI 1994-1996
Discount rate	8.5%
Inflation rate	6.0%
Expected Return on assets	8.0%
Medical cost trend rates	5.0%
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.

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

[18.7] **Effect of increase / decrease of one percentage point in the assumed medical cost trend rates on:**

	Increase	**Decrease**
	Rupees in Lakhs	**Rupees in Lakhs**
Aggregate of current service cost and interest cost	1.72	1.72
Accumulated Post Employment benefit obligation for medical cost	0.13	0.13

[18.8] 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.

[18.9] Since this is the first year of adoption of revised AS 15, only the current year's figures have been given. The amounts of the present value of the obligations, fair value of the plan assets, surplus or deficit in the plans, experience adjustments arising on plan assets / liabilities etc. for the four annual previous periods are not available and therefore not disclosed.

[18.10] 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.

19 **Segment Reporting**

(a) Information relating to the two business segments, being carbon black and power has been disclosed as primary segments.

(b) Effective 1st April, 2007, Inter-segment transfers being power consumed for manufacture of carbon black are based on price paid for power purchased from external sources which was hitherto based on price charged to the external customer. Such change being revenue neutral for the company, have favourable impact on revenue and results of power segment and adverse impact on results of carbon black segment amounting to Rs.333.68 lakhs.

(c) Segment Revenues, Results and Other Information :

Business Segment

Rupees in Lakhs

			Year Ended 31.03.2008			Year Ended 31.03.2007	
		Carbon Black	**Power**	**Total**	Carbon Black	Power	Total
(i)	**Segment Revenue**						
	External Sales	**114,983.75**	**1,493.53**	**116,477.28**	111,276.24	1,054.62	112,330.86
	Inter-segment Sales	**-**	**895.94**	**895.94**	-	468.14	468.14
		114,983.75	**2,389.47**	**117,373.22**	111,276.24	1,522.76	112,799.00
(ii)	**Segment Results**						
	Profit before interest and tax	**14,348.56**	**2,047.44**	**16,396.00**	9,422.27	1,195.83	10,618.10
	Unallocated (expenses)/income (net)			**(3,172.86)**			(2,903.19)
	Interest			**(1,944.70)**			(3,260.27)
	Profit before tax			**11,278.44**			4,454.64
(iii)	**Segment Assets**	**63,388.50**	**3,624.26**	**67,012.76**	63,003.57	3,780.26	66,783.83
	Unallocated			**18,393.76**			7,197.72
				85,406.52			73,981.55
(iv)	**Segment Liabilities**	**54,185.77**	**809.90**	**54,995.67**	49,828.91	1,498.21	51,327.12
	Unallocated			**6,131.22**			6,074.00
				61,126.89			57,401.12
(v)	**Capital Expenditure**	**532.12**	**-**	**532.12**	303.61	0.35	303.96
(vi)	**Depreciation**	**1,814.10**	**199.49**	**2,013.59**	1,837.06	199.42	2,036.48
(vii)	**Non Cash Expense other than Depreciation (unallocated)**			**67.02**			68.14

Geographical Segment

			Year Ended 31.03.2008		Year Ended 31.03.2007		
		Within India	**Outside India**	**Total**	Within India	Outside India	Total
(i)	**Segment Revenue**	**94,511.24**	**21,966.04**	**116,477.28**	90,082.11	22,248.75	112,330.86
(ii)	**Capital Expenditure**	**532.12**	**-**	**532.12**	303.96	-	303.96
(iii)	**Segment Assets**	**81,207.79**	**4,198.73**	**85,406.52**	70,335.16	3,646.39	73,981.55

[20] Related Party Disclosures :

Name of the transacting related parties, nature of relationship, transactions and outstanding items:

Key Management Person – Mr. Ashok Goyal, Managing Director.

<u>Transactions with Key management person referred above :</u>

Remuneration paid/ payable for the year ended 31st March, 2008 Rs 144.08 lakhs (Previous Year - Rs. 30.53 lakhs)

SCHEDULE 18 - NOTES ON ACCOUNTS *(Contd.)*

[21] 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.

[22] Expenses are after adjustment of amounts reimbursed to or by the Company.

[23] Interest expenditure is net of Rs. 95.41 lakhs (Previous Year - Rs. 203.27 lakhs) being interest earned on Margin Money Deposits and include interest on:
(a) Debenture Rs. 64.79 lakhs (Previous Year - Rs. 150.79 lakhs)
(b) Fixed Loans Rs. 1,445.25 lakhs (Previous Year - Rs. 1489.29 lakhs)

[24] Rent of Rs. 62.19 lakhs (Previous Year - Rs. 62.20 lakhs) relates to cancellable operating leases taken on or after 1.04.2001. These lease arrangements range from 11 months to 3 years and are primarily in respect of accommodation for employees, offices, warehouses etc. and inter alia include escalation clause and option for renewal.

[25] Previous Year's figures have been regrouped or rearranged where considered necessary.

Cash Flow Statement for year ended 31st March, 2008

		Year Ended 31st March, 2008 Rupees in lakhs		Year Ended 31st March, 2007 Rupees in lakhs
Cash Flow From Operating Activities				
Net Profit before taxation		11,278.44		4,454.64
Adjustments for:				
Depreciation	2,013.59		2,036.48	
Loss on sale of fixed assets (net)	39.63		47.10	
Unrealised (gain) / loss (net) on foreign exchange fluctuation	443.76		(453.68)	
Income from Dividend	(155.11)		(2.87)	
Interest (Received/ Receivable on Inter Corporate Deposits etc.)	(78.45)		(62.01)	
Profit (net) on sale of Investment	(5.94)		(1.33)	
Interest (Paid/ Payable on loans etc)	1,944.70		3,260.27	
Bad Debts written off (net)	342.03		-	
Provision for Doubtful Debts (net)	113.70		624.70	
Provision for diminution in value of investments	-		101.01	
Amortisation of payments under Voluntary Retirement Schemes	67.02		68.14	
		4,724.93		5,617.81
Operating Profit before Working Capital Changes		16,003.37		10,072.45
Adjustments for:				
Inventories	(4,042.64)		(2,376.67)	
Trade and Other Receivables	(1,059.09)		(1,154.57)	
Trade Payables	(992.29)		5,588.63	
		(6,094.02)		2,057.39
Cash Generated from Operations		9,909.35		12,129.84
Direct Taxes Paid (including Tax Deducted at Source)		(3,326.46)		(606.73)
Payments under Voluntary Retirement Scheme		(51.80)		(42.00)
Net Cash from Operating Activities		6,531.09		11,481.11
Cash Flow from Investing Activities				
Payments for fixed assets	(10,920.21)		(2,046.71)	
Sale proceeds of fixed assets	18.93		58.52	
Purchase of Investment	(38,775.68)		(1,650.29)	
Sale of Investment	38,781.62		1,651.62	
Dividend received from Investments	155.11		2.87	
Inter Corporate Deposits given	(1,000.00)		(1,000.00)	
Inter Corporate Deposits realised	1,132.75		1,005.75	
Interest Received Others	139.36		207.48	
Interest Received on Inter Corporate Deposits etc.	122.71		6.79	
Net Cash used in Investing Activities		(10,345.41)		(1,763.97)
Cash Flow from Financing Activities				
Allotment money (including premium) received	0.18		5,397.61	
Proceeds from long term borrowings	4,218.80		10,451.80	
Proceeds from short term borrowings	4,000.00		21,060.90	
Redemption of Debentures	(1,000.00)		(1,000.00)	
Repayment of long term borrowings	(1,543.13)		(2,983.54)	
Repayment of short term borrowings	(3,000.00)		(31,755.53)	
Increase / (Decrease) in cash credit facilities, temporary overdraft etc. from banks	1,332.34		(6,328.99)	
Dividends paid (including tax on dividend)	(586.73)		(3.80)	
Interest paid	(2,317.46)		(3,453.55)	
Net Cash used in Financing Activities		1,104.00		(8,615.10)
Net increase in Cash and Cash Equivalents		(2,710.32)		1,102.04
Opening Cash and Cash Equivalents		4,216.41		3,114.37
Closing Cash and Cash Equivalents		1,506.09		4,216.41

Cash Flow Statement for the year ended 31st March, 2008 (Contd.)

	As at 31.03.2008	As at 31.03.2007
1. The above cashflow statement has been prepared under the indirect method as set out in the Accounting standard AS 3 of Cash flow starement		
2. Cash and Cash Equivalents include :		
Cash in Hand	**4.12**	2.42
Remittances in Transit	**1,392.69**	909.16
With Scheduled Banks:		
- On Current Accounts	**65.54**	259.23
- On Unpaid and Unclaimed Dividend Accounts (as per contra Schedule 11)	**34.74**	30.57
- On Margin Money Account against Letter of Credit/Guarantee *	**9.00**	3,015.03
	1,506.09	4,216.41

* Not available for immediate/ ready use by the Company.

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

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

P. Law
Partner
(Membership No. 51790)
For and on behalf of
PRICE WATERHOUSE,
Chartered Accountants.
Kolkata
28th April, 2008

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

M/S.PRICE WATERHOUSE.
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMBERS OF
PHILLIPS CARBON BLACK LIMITED

1. We have audited the attached Balance Sheet of Phillips Carbon Black Limited, as at 31st March 2007, 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 during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
(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 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. Accordingly, the paragraphs 4(iii) (b), 4(iii) (c) and 4(iii) (d) of the Order are not applicable.
(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. Accordingly, the paragraphs 4(iii) (f) and 4(iii) (g) of the Order are not applicable.

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. The Company has not provided any service during the year. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

3.5 a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.
b) There have been no transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 5 lakhs in respect of any party during the year other than preferential allotment of Convertible Warrants during the year at prices determined in keeping with the SEBI guidelines [referred to in Note 1(a) on schedule 1 and Note 2 on Schedule 17 to accounts] to a company covered in the register maintained under Section 301 of the Act, referred to in paragraph 3.18 below.

3.6 In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us , no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

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 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 is regular in depositing 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, the particulars of dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as at 31st March 2007 which have not been deposited on account of a dispute are as follows :

Name of the Statue	Nature of the Dues	Amount (Rupees in Lakhs)	Forum where the Dispute is Pending
Income Tax Act, 1961	Income Tax	235.49	Commissioner of Income Tax (Appeals)
Kerala Sales Tax Act, 1963	Interest on delayed payment of Sales Tax	193.27	The High Court of Kerala
Kerala Sales Tax Act, 1963	Sales Tax	1.39	Kerala Sales Tax Appellate Tribunal

3.10 The Company has no accumulated losses as at 31st March 2007 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 information and explanations given and the records of the Company examined by us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.

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 terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

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, including Rs.2364.54 lakhs in the subsequent period, 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 allotted equity shares on conversion of Convertible Warrants issued on preferential basis [refer note 1(a) on Schedule 1 to Accounts] including to a company covered in the register maintained under Section 301 of the Act during the year. In our opinion and according to the information and explanations given to us, the prices at which such Convertible Warrants have been issued, vide paragraph 3.5 (b) above, are not prejudicial to the interest of the Company.

3.19 The Company has created security or charge in respect of debentures issued and outstanding at the year-end.

3.20 The Company has not recently raised any money by public issue.

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 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 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, as on 31st March 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;

(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.

P. Law
Partner
(Membership number 51790)
for and on behalf of
PRICE WATERHOUSE,
Chartered Accountants.

Kolkata
26th June, 2007

Balance Sheet as at 31st March,2007

	Schedule	As at 31st March ,2007	As at 31st March,2006
		Rupees in Lakhs	**Rupees in Lakhs**
Sources of Funds			
SHAREHOLDERS' FUNDS			
Share Capital	1	**2,525.23**	**1,775.15**
Convertible Warrants issued and allotted (Note 2 Schedule 17)		**447.00**	**-**
Reserves and Surplus	2	**13,608.20**	**7,645.37**
		16,580.43	**9,420.52**
LOAN FUNDS	3		
Secured Loans		**23,154.47**	**22,614.92**
Unsecured Loans		**1,838.21**	**13,089.96**
		24,992.68	**35,704.88**
Deferred Tax Liability (Net) [Note 12 on Schedule 17]		**4,336.65**	**2,834.83**
		45,909.76	**47,960.23**
Application of Funds			
FIXED ASSETS	4		
Gross Block		**44,717.03**	**44,552.26**
Less: Depreciation		**18,686.55**	**16,683.64**
Net Block		**26,030.48**	**27,868.62**
Capital Expenditure In Progress (Note 11.4 on Schedule 17)		**2,107.61**	**351.37**
		28,138.09	**28,219.99**
INVESTMENTS	5	**2,805.52**	**2,906.53**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	**11,485.83**	**9,109.16**
Sundry Debtors	7	**23,366.55**	**22,211.59**
Cash and Bank Balances	8	**4,216.41**	**3,114.37**
Other Current Assets	9	**2,463.04**	**2,769.86**
Loans and Advances	10	**1,402.88**	**1,805.91**
		42,934.71	**39,010.89**
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	**27,480.89**	**22,306.55**
Provisions	12	**590.90**	**-**
		28,071.79	**22,306.55**
		14,862.92	**16,704.34**
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)			
Payments under Voluntary Retirement Schemes		**103.23**	**129.37**
		45,909.76	**47,960.23**
Notes on Accounts	17		

Profit and Loss Account for the year ended 31st March,2007

INCOME	**Schedule**		**Year Ended 31st March,2007**			Year Ended 31st March,2006	
			Rupees in Lakhs			Rupees in Lakhs	
Sales - Carbon Black		**111,276.24**			81,725.09		
Less : Excise Duty		**12,469.05**	**98,807.19**		9,686.36	72,038.73	
Sales - Power			**1,054.62**			825.83	
Other Income	13		**408.69**			177.01	
Closing Stock of Finished Goods			**1,399.13**	**101,669.63**		1,998.35	75,039.92
EXPENDITURE							
Opening Stock of Finished Goods			**1,998.35**			2,003.10	
Raw Materials Consumed	14		**67,262.00**			50,707.05	
Expenses	15		**22,657.89**			19,086.40	
Depreciation			**2,036.48**			2,048.01	
Interest			**3,260.27**			3,064.97	
(Note 23 on Schedule 17)							
				97,214.99			76,909.53
PROFIT / (LOSS) BEFORE TAXATION				**4,454.64**			(1869.61)
Provision for Taxation							
Current Tax				**525.38**			-
Deferred Tax (release)/ charge				**1,501.82**			(458.41)
Fringe Benefit Tax				**74.24**			96.04
PROFIT / (LOSS) AFTER TAXATION				**2,353.20**			(1507.24)
Balance brought forward from previous year				**1,999.18**			3,506.42
Profit available for Appropriation				**4,352.38**			1,999.18
Proposed Dividend				**505.06**			-
Tax on Proposed Dividend				**85.84**			-
				3,761.48			1,999.18
Transferred to General Reserve				**177.00**			-
Balance Carried to Balance Sheet (Schedule 2)				**3,584.48**			1,999.18
Earnings/ (Loss) per Share (Rs.)	16						
-Basic				**11.75**			(8.49)
-Diluted				**11.47**			(8.49)
Notes on Accounts	17						

Schedules forming part of the Balance Sheet

SCHEDULE 1 - SHARE CAPITAL

		As at 31st March, 2007 Rupees in Lakhs	As at 31st March, 2006 Rupees in Lakhs
AUTHORISED			
31,500,000	Equity Shares of Rs.10/- each	**3,150.00**	**3,150.00**
ISSUED, SUBSCRIBED AND PAID UP			
17,213,779	(31.03.2006-9,713,779) Equity Shares of Rs. 10/- each fully paid up in cash (Note 1 below)	**1,721.38**	**971.38**
	Less : Allotment Money receivable	**0.10**	**0.18**
		1,721.28	**971.20**
3,692,750	Equity Shares of Rs.10/- each allotted as fully paid up bonus shares by capitalisation of Share Premium Account and Revenue Reserve (Note 2 below)	**369.28**	**369.28**
4,346,667	Equity Shares of Rs.10/- each fully paid up other than cash	**434.67**	**434.67**
		2,525.23	1,775.15

Notes: 1) (a) Including 35,00,000 Equity Shares of Rs 10 each allotted on preferential basis and 40,00,000 Equity Shares of Rs 10 each allotted on conversion of equal number of Convertible Warrants issued on preferential basis pursuant to the Members of the Company in accordance with SEBI Guidelines.

(b) Allotment of 1,823 Shares is pending against Rights issue made during 1993-94..

2) Of the 3,692,750 Shares ,48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

SCHEDULE 2 - RESERVES AND SURPLUS

Reserves				
Share Premium				
Balance as per last Account	**2,444.14**		2,441.80	
Add: Received during the year (Notes 1 and 2 below)	**4,200.53**	**6,644.67**	2.34	2,444.14
Capital Reserve				
Balance as per last Account	**156.81**		31.33	
Add: Subsidy under West Bengal Capital Investment Subsidy Scheme	**-**	**156.81**	125.48	156.81
Debenture Redemption Reserve		**312.50**		312.50
General Reserve				
Balance as per last Account	**2,732.74**		2,732.74	
Add: Transfer from Profit and Loss Account	**177.00**	**2,909.74**	-	2,732.74
Surplus				
Profit and Loss Account		**3,584.48**		1,999.18
		13,608.20		7,645.37

Note : 1. Including Rs 4,200 lakhs received on Equity Shares allotted on Preferential basis [Refer Note 1(a) on Schedule 1]

2. Net of allotment money receivable on account of Share Premium Rs 0.82 lakh (31.03.2006-Rs 1.35 lakhs).

SCHEDULE 3 - LOAN FUNDS

	As at 31st March ,2007	As at 31st March,2006
SECURED LOANS	**Rupees in Lakhs**	Rupees in Lakhs
Debentures- 8.60% Redeemable Non-Convertible Debentures (Note 1 below)	**1,000.00**	2,000.00
From Banks (Note 2 below)		
-Working Capital Demand Loan	**1,200.00**	736.69
-Cash Credit/Bank Overdraft facilities	**4,837.44**	7,513.87
-Foreign Currency Non-Repatriable Loans	**771.77**	4,061.91
-Interest accrued and due	**-**	6.03
-Export Packing Credit Loans/Post Shipment Demand Loans against Exports	**2,687.71**	3,522.08
-Interest accrued and due	**6.96**	0.76
Deposits from Public	**-**	82.68
Deposit from Directors	**-**	5.00
Term Loans from Banks (Note 3 below)	**12,590.01**	3,185.57
Interest accrued and due	**48.84**	0.88
Term Loan from Non Banking Financial Company	**-**	1,463.76
Vehicle Loans from Banks (Note 4 below)	**11.74**	35.69
	23,154.47	22,614.92
UNSECURED LOANS		
Loan from Banks -Short term	**-**	3,990.19
Interest accrued and due	**-**	3.29
Intercorporate Deposits - Short term	**-**	844.89
Dealers Security Deposits	8.00	8.00
Sales Tax Deferred Loans (Note 5 below)	1,453.12	1,746.42
External Commercial Borrowing (Note 6 below)	377.09	6,497.15
Temporary Bank Overdraft	**-**	0.02
	1,838.21	13,089.96

Notes:

1 . 8.60 % Secured Redeemable Non-Convertible Debentures (privately placed) are secured by way of registered mortgage of the immovable property in the Kalol sub-district in the State of Gujarat.The outstanding amount as at 31st March, 2007 (after redemption of Rs.1,000 lakhs on 31st December, 2006) are due for redemption at par on 31st December, 2007.

2 . Cash Credit/ Bank Overdraft facilities/ Loans - under consortium arrangements are with Bank of Baroda, Allahabad Bank , Export and Import Bank of India, ICICI Bank Ltd., State Bank of Bikaner & Jaipur and Citibank NA at Kolkata ; State Bank of India, Indian Overseas Bank and State Bank of Travancore at Kochi ; Syndicate Bank and Federal Bank at Mumbai. The above Cash credit/ Bank Overdraft facilities/loans are secured by way of hypothecation in favour of the said 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 Receivable, Claims, etc. held by any third party to the order of the disposition of the company and also by a *pari-passu* second charge created on the fixed assets of the Company at Durgapur in West Bengal excluding 30 MW Co-generation Power Plant, Palej in Gujarat and Karimugal in Kochi.

3 . Term Loans from Banks :

Term Loan from Banks other than loan from ICICI Bank Ltd for 30 MW Co-generation Power Plant at Durgapur are secured on a *pari-passu* first charge basis on all the immovable properties of the Company situated at Durgapur in West Bengal excluding 30 MW Co-generation Power Plant, Palej in Gujarat and Karimugal in Kochi and the Company's Movable Plant and Machinery, Machinery Spares, Tools and Accessories and other movable properties both present and future and 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.

Term Loan from ICICI Bank Ltd for 30 MW Co-generation Power Plant at Durgapur is secured by an exclusive charge on the immovable and movable properties pertaining to the 30 MW Co-generation Power Plant at Durgapur.

4 . Vehicle loans from Banks are Secured by way of hypothecation of the vehicles financed by such loans.

5 . 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 May 2001, August 2006 (West Bengal) and July 2007 (Kerala) respectively, aggregate amount of such installments repayable within one year is Rs.186.17 lakhs. (Previous year -Rs 232.04 lakhs)

6 . External Commercial Borrowing repayable within one year Rs.188.55 lakhs (31.03.2006 - Rs.6,110.09 lakhs)

SCHEDULE 4 - FIXED ASSETS

(Rupees in Lakhs)

DESCRIPTION	Original/Revalued cost of Assets as at 31st March 2006	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 2007	Depreciation as at at 31st March 2006	Depreciation during the year	Adjustment of Depreciation on sales etc.	Depreciation as at at 31st March 2007	Balance as at 31st March 2007	Balance as at 31st March 2006
Freehold Land	601.64	-	-	601.64	-	-	-	-	601.64	601.64
Leasehold Land Acquisition and Development Expenses	663.81	-	-	663.81	-	-	-	-	663.81	663.81
Buildings (a)	3,127.87	27.17	-	3,155.04	688.64	93.79	-	782.43	2,372.61	2,439.23
Non-Factory Buildings and Flats	1,415.25	157.82	-	1,573.07 (b)	216.22	31.73	-	247.95	1,325.12	1,199.03
Plant and Machinery	34,919.90	32.02	-	34,951.92	13,952.44	1,659.72	-	15,612.16	19,339.76	20,967.46
Electrical Installations	2,359.29	0.16	-	2,359.45	1,053.88	101.50	-	1,155.38	1,204.07	1,305.41
Motor Vehicles	518.94	29.49	126.12	422.31	170.63	40.41	28.87	182.17	240.14	348.31
Furniture, Fixtures and Office Equipment	648.92	57.30	13.07	693.15	422.59	38.67	4.70	456.56	236.59	226.33
Railway Sidings	89.62	-	-	89.62	87.36	1.65	-	89.01	0.61	2.26
Software	207.02	-	-	207.02	91.88	69.01	-	160.89	46.13	115.14
	44,552.26	(d 303.96	139.19	44,717.03	16,683.64	2,036.48	33.57	18,686.55	26,030.48	27,868.62
Previous Year	44,204.64	472.12	124.50	44,552.26	14,713.13	2,048.01	77.50	16,683.64	27,868.62	

Notes:-

(a) Cost and accumulated depreciation include Rs. 2,915.57 lakhs (31.03.2006 Rs. 2,888.41 lakhs) and Rs. 695.84 lakhs (31.03.2006 Rs. 608.48 lakhs) respectively in respect of Buildings on leasehold land.

(b) Includes Rs 84.00 lakhs (31.03.2006 Rs. 84.00 lakhs) being cost of renovation of rented office facilities being continuously used since inception and Rs. 9.84 lakhs (31.03.2006 Rs. 9.84 lakhs) being one-sixth share of jointly owned property.

(c) Includes adjustment of Rs 5.66 lakhs (net gain) [Previous year - Rs. 12.16 lakhs (net loss)] on account of foreign exchange fluctuation.

(d) Includes Rs.5,995.27 lakhs added on revaluation on 30th September, 2001 as under:

	Rupees Lakhs
Freehold Land	554.41
Leasehold Land, Acquisition and Development Expenses	112.71
Buildings	706.25
Non-Factory Buildings and Flats	458.93
Plant and Machinery	3,749.91
Electrical Installations	413.06
	5,995.27

SCHEDULE 5 -INVESTMENTS (Long-Term) **[Note 1(vi) on Schedule 17]**		**As at** **31st March, 2007** **Rupees in Lakhs**		As at 31st March, 2006 **Rupees in Lakhs**
TRADE-Quoted				
5,540,991 Fully paid Equity Shares of Rs 10/- each in Ceat Ltd .		**2,614.91**		2,614.91
OTHER THAN TRADE- Quoted				
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**	
17,417 6.75% Tax Free US-64 Bonds of Rs.100/-each in Unit Trust of India	**21.09**		**21.09**	
77,000 Fully paid Equity Shares of Rs 10/- each in CESC Ltd .	**150.15**		**150.15**	
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**	
		441. 52		**441.52**
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**	**0.10**	0.05	0.10
		3,056.53		3,056.53
Less : Provision for diminution in value of Investments		**251.01**		150.00
		2,805.52		2,906.53
Notes: (a) Aggregate amount of quoted investments		**2,805.42**		2,906.43
Market value (excluding Norplex Oak India Ltd. and Maple Circuits Ltd. in absence of any current quotation) Rs 6,310.72 lakhs (31.03.2006 - Rs. 3,983.25 lakhs)				
(b) Aggregate amount of Unquoted Investments		**0.10**		0.10
		2,805.52		2,906.53

(c) Units of Mutual Funds purchased and sold during the year

	Number of units	Book Value Rupees in lakhs
DSP Merill Lynch Liquidity Fund -Regular-Growth	862,864	150.00
UTI Liquid Cash Plan Institutional -Growth Option	100,162	1,200.00
JM High Liquidity Fund- Premium Plan- Daily Dividend	3,002,867	300.29

SCHEDULE 6 - INVENTORIES
[Note 1(vii) on Schedule 17]

Stores and Spares	**1,043.46**	968.88
Raw Materials	**9,043.24**	6,141.93
Finished Goods	**1,399.13**	1,998.35
	11,485.83	9,109.16

SCHEDULE 7 - SUNDRY DEBTORS (UNSECURED)

Debts outstanding for a period exceeding six months				
Considered Good		**4,446.29**		4,263.29
Considered Doubtful	**1063.70**		**439.00**	
Less : Provision	**1063.70**	**-**	**439.00**	-
		4,446.29		4,263.29
Other Debts - Considered Good		**18,920.26**		17,948.30
		23,366.55		22,211.59

SCHEDULE 8 - CASH AND BANK BALANCES

Cash in Hand (including cheques in hand Rs. 17.85 lakhs as at 31.03.2006)	**2.42**	21.37
Remittances in Transit	**909.16**	606.89
With Scheduled Banks:		
-On Current Accounts	**259.23**	291.49
-On Unpaid and Unclaimed Dividend Accounts (as per contra Schedule 11)	**30.57**	34.37
-On Short Term Deposits	**-**	44.51
-On Margin Money Account against Letter of Credit/Guarantee	**3,015.03**	2,115.74
	4,216.41	3,114.37

SCHEDULE 9 - OTHER CURRENT ASSETS - CONSIDERED GOOD

	As at 31st March, 2007 Rupees in Lakhs	As at 31st March, 2006 Rupees in Lakhs
Deposit with Customs, Port Trust and Excise Authorities etc.	**809.47**	782.95
Security deposit for loan from Non Banking Financial Company	-	142.67
Other deposits [including Rs 0.80 lakh - (31.03.2006 - Rs. 0.80 lakh) in the form of National Savings Certificate II Series]	**643.10**	370.20
Accruals under Duty Exemption Scheme pertaining to exports / deemed exports *	**838.14**	1,263.41
Accrued benefit under Duty Drawback	**172.33**	210.63
	2,463.04	2,769.86

* includes Rs. 703.98 lakhs (31.03.2006 - Rs. 1,045.64 lakhs) being accrued benefit under Duty Free Credit Entitlement Scheme, to which the Company is eligible.

SCHEDULE 10 - LOANS AND ADVANCES

Unsecured - Considered good		
Advances recoverable in cash or in kind or for value to be received :		
Intercorporate Deposits [including interest due Rs 66.62 lakhs (31.03.2006 - Rs 44.53 lakhs)	**199.37**	183.03
Others (Note 10 on Schedule 17)	**583.67**	1,025.95
Advance payment of Taxes, etc. [net of provision for taxation Rs. 3,754.97 lakhs, (31.03.2006 - Rs. 3,155.35 lakhs)]	**619.84**	596.93
	1,402.88	1,805.91

SCHEDULE 11 - LIABILITIES

	As at 31st March, 2007 Rupees in Lakhs	As at 31st March, 2006 Rupees in Lakhs
Acceptances	**209.67**	495.35
Sundry Creditors [Note 1 below]	**27,124.76**	21,647.96
Investor Education and Protection Fund shall be credited by the following amounts :		
-Unpaid dividend (as per contra Schedule 8) [Note 2 below]	**30.57**	34.37
-Unpaid matured deposits [Note 3 below]	**10.76**	12.35
Interest Accrued but not due on borrowings	**105.13**	116.52
	27,480.89	22,306.55

Notes : 1. Represents amounts due to parties other than Small Scale Industrial Undertakings. In absence of any specific information available with the Company in respect of any supplier attracting provisions of the Micro, Small and Medium Enterprises Development Act, 2006, no disclosure/ treatment as per the Act has been considered necessary
2. No amount was due for deposit as on the Balance sheet date.
3. No amount was due for deposit as on 31st March, 2007 (31.03.06-Rs 0.50 lakh).

SCHEDULE 12 - PROVISIONS

Proposed Dividend	**505.06**	-
Tax on Proposed Dividend	**85.84**	-
	590.90	-

		Year Ended 31st March,2007 Rupees in Lakhs		Year Ended 31st March,2006 Rupees in Lakhs
SCHEDULE 13 - OTHER INCOME				
Interest (Gross-Tax deducted at source Rs.15.79 lakhs, Previous year - Rs. 11.14 lakhs)				
-On Deposits	**38.83**		44.33	
-On Others	**23.18**	**62.01**	9.27	53.60
Dividend				
-From investments (other than trade)		**2.87**		0.11
Revenue from Carbon credit		**277.66**		-
Profit on Sale of Investment (net)		**1.33**		-
Miscellaneous		**64.82**		123.30
		408.69		177.01
SCHEDULE 14 - RAW MATERIALS CONSUMED				
Opening Stock		**6,141.93**		7,419.51
Add : Purchases [net of consumption Rs. 22.83 lakhs (Previous year - Rs.9.59 lakhs) charged to research and development expenses and Rs 2,968.71 lakhs (Previous year- Rs.2,319.35 lakhs) being benefits under duty exemption schemes pertaining to exports / deemed exports and duty drawback.]		**70,163.31**		49,429.47
		76,305.24		56,848.98
Less: Closing Stock		**9,043.24**		6,141.93
		67,262.00		50,707.05
SCHEDULE 15 - EXPENSES				
Salaries, Wages and Bonus [excluding Rs 26.63 lakhs (Previous year - Rs. 29.64 lakhs) charged to Research and Development Expenses]		**1,996.06**		1,796.71
Contribution to Provident Fund, Superannuation Fund and Gratuity Fund [excluding Rs 3.21 lakhs (Previous year - Rs. 3.20 lakhs) charged to Research and Development Expenses]		**261.97**		211.10
Labour and Staff Welfare [excluding Rs 0.79 lakh (Previous year Nil) charged to Research and Development Expenses]		**249.57**		224.00
Consumption of Stores, Spares and Packing Materials [Previous year excluding - Rs. 2.90 lakhs charged to Research and Development Expenses]		**3,184.43**		2,558.88
Power and Fuel		**546.26**		559.45
Water Charges		**89.40**		93.25
Rent		**62.20**		62.90
Rates and Taxes		**157.18**		42.55
Maintenance and Repairs :				
-Buildings [excluding Rs 0.14 lakh (Previous year - Nil) charged to Research & Development Expenses]	**160.97**		88.65	
-Plant and Machinery	**476.43**		248.78	
-Others	**153.37**		157.09	
		790.77		494.52
Carried Over		**7337.84**		6043.36

SCHEDULE 15 - OTHER INCOME *(Contd.)*	**Year Ended 31st March,2007**	Year Ended 31st March,2006
	Rupees in Lakhs	Rupees in Lakhs
Brought Forward	**7337.84**	6043.36
Insurance	**82.50**	103.60
Travelling and Transport Expenses	**369.05**	334.28
Subscriptions and Donations	**30.95**	17.87
Discounting Charges	**257.89**	115.65
Miscellaneous Expenses [excluding Rs 4.61 lakhs (Previous year - Nil) charged to Research & Development Expenses]	**3,507.38**	3,082.22
Freight Outward	**2,064.42**	1,547.53
Commission and Discount	**7,860.20**	6,933.57
Directors' Fees	**4.65**	4.65
Research and Development Expenses	**58.21**	46.56
Loss on Sale of Fixed Assets (net)	**47.10**	18.10
Loss on Foreign Exchange Fluctuations (net)	**311.99**	643.01
Provision for diminution in value of Investments	**101.01**	16.00
Provision for Doubtful Debts	**624.70**	180.00
	22,657.89	19,086.40

SCHEDULE 16 - BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE	**Year Ended 31st March,2007**		Year Ended 31st March,2006	
Adjusted Number of Equity Shares at the beginning of the period	**17,751,432**	(1)	17,748,086	(3)
Adjusted Number of Equity Shares at the end of the period	**25,252,182**	(2)	17,751,432	(1)
Weighted average number of Equity Shares outstanding during the period (Basic EPS)	**20,022,903**	(4)	17,750,812	(6)
Weighted average number of Equity Shares outstanding during the period (Diluted EPS)	**20,509,070**	(5)	17,750,812	(6)
Nominal Value of each Equity Share (Rs.)	**10**		10	
Profit/(Loss) after Taxation available for Equity Shareholders (Rupees in Lakhs)	**2,353.20**		(1,507.24)	
Basic earnings/(loss) per Share (Rs.)	**11.75**		(8.49)	
Diluted earnings/(loss) per Share (Rs.)	**11.47**		(8.49)	

Adjusted Number of Equity Shares	(1) **As at 31st March, 2006/ 1st April 2006**			(2) **As at 31st March, 2007**			(3) **As at 1st April, 2005**		
			Total			Total			Total
Number of Shares issued	17,706,182	47,014	17,753,196	25,206,182	47,014	25,253,196	17,706,182	47,014	17,753,196
Nominal Value (Rs.)	177,061,820	470,140	177,531,960	252,061,820	470,140	252,531,960	177,061,820	470,140	177,531,960
Paid up Value (Rs.)	177,061,820	452,500	177,514,320	252,061,820	460,000	252,521,820	177,061,820	419,035	177,480,855
Adjusted Number of shares	17,706,182	45,250	17,751,432	25,206,182	46,000	25,252,182	17,706,182	41,904	17,748,086

Weighted average number of shares for Basic EPS			
(4)			
Year ended 31st March, 2007			
Date	No of Shares Outstanding	Days	Proportionate number of

Weighted average number of shares for Diluted EPS			
(5)			
Year ended 31st March, 2007			
Date	No of Shares Outstanding	Days	Proportionate number of

			shares outstanding				shares outstanding
1-Apr-06	17,751,432	199	9,678,178	1-Apr-06	17,751,432	199	9,678,178
17-Oct-06	21,251,432	50	2,911,155	17-Oct-06	21,251,432	3	174,669
6-Dec-06	21,252,182	54	3,144,158	20-Oct-06	22,578,994	3	185,581
29-Jan-07	25,252,182	62	4,289,412	23-Oct-06	23,021,514	44	2,775,196
Weighted average number			20,022,903	6-Dec-06	23,022,264	54	3,406,034
				29-Jan-07	25,252,182	62	4,289,412
				Weighted average number			20,509,070

(6)

Year ended 31st March, 2006

Date	No of Shares Outstanding	Days	Proportionate number of shares outstanding
1-Apr-05	17,748,086	4	194,500
5-Apr-05	17,748,679	38	1,847,808
13-May-05	17,749,016	7	340,392
20-May-05	17,749,027	7	340,392
27-May-05	17,749,183	4	194,512
31-May-05	17,749,243	1	48,628
1-Jun-05	17,750,069	1	48,630
2-Jun-05	17,750,149	7	340,414
9-Jun-05	17,750,434	12	583,576
21-Jun-05	17,750,532	23	1,118,527
14-Jul-05	17,750,582	4	194,527
18-Jul-05	17,751,282	14	680,871
1-Aug-05	17,751,294	3	145,901
4-Aug-05	17,751,308	9	437,703
13-Aug-05	17,751,319	16	778,140
29-Aug-05	17,751,332	10	486,338
8-Sep-05	17,751,357	46	2,237,157
24-Oct-05	17,751,370	24	1,167,213
17-Nov-05	17,751,378	53	2,577,597
9-Jan-06	17,751,398	77	3,744,816
27-Mar-06	17,751,432	5	243,170
Weighted average number			17,750,812

Reconciliation of Weighted Average Number of shares considered for Basic EPS and Diluted EPS

			Weighted average number of shares
Considered for Basic EPS (4)			20,022,903
Add: Equivalent number of diluted shares deemed to have been issued on allotment of Warrants on:			
Date	Number	Days	
20-Oct-06	1,327,562	101	367,353
23-Oct-06	442,520	98	118,814
	1,770,082		486,167
Considered for Diluted EPS (5)			20,509,070

SCHEDULE 17 - NOTES ON ACCOUNTS

[1] Significant Accounting Policies:

(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 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 includes 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 Costs

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. Such additional depreciation is adjusted against the available balance in Revaluation Reserve in respect of related items.

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 of India.

(v) Foreign Currency Transactions

Monetary assets and liabilities related to foreign currency transaction remaining unsettled at the end of the period are translated at period end rates. The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transaction other than those relating to fixed assets acquired from outside India are recognised in the Profit and Loss Account.

In respect of transaction covered by forward exchange contracts, premium or discount arising at the inception of the contract (being the difference between the contract rate and the exchange rate on the date of inception of the contract) is charged to the Profit and Loss Account over the period of the contract, except in case of liabilities incurred for acquiring fixed assets from outside India. Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets from outside India are adjusted to the carrying amount of such fixed assets.

Exchange difference on the forward exchange contract arising on the balance sheet date or settlement date whichever is earlier is accounted for in the reporting period.

(vi) Investments

Investments are valued at cost less provision for diminution (other than temporary) in the value 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.

Stores, Spares are valued at cost determined on weighted average basis.

Raw materials are valued at cost determined on First In First Out basis.

For the purpose of valuation of finished goods,cost includes material cost (determined on the basis indicated above), 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 despatch/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) Termination

(a) Liability on account of gratuity provided on the basis of actuarial valuation is funded with an approved fund.

(b) Payments under Voluntary Retirements Schemes are amortised over the period being lower of :

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

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

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

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

(x) Leave Encashment Benefits
Accrued liability towards leave encashment benefits payable to employees evaluated on the basis of actuarial valuation is recognised as revenue charge.

(xi) Research and Development
Revenue expenditure on research and development is charged against the profit for the period in which it is incurred.

(xii) Taxes on Income
Current tax is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rate and laws. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rate and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are periodically reviewed to reassess realisation thereof.

[2] Pursuant to the approval of the members of the Company in accordance with SEBI guidelines 30,00,000 Convertible Warrants of Rs 149 each with an option to subscribe to one Equity Share of Rs 10 each fully paid up, within 18 months of the date of allotment have been allotted on 15th March, 2007 on preferential basis upon upfront payment of 10% of the total subscription money.

[3.1] Managerial Remuneration :

	Year Ended 31st March, 2007 Rupees in Lakhs	Year Ended 31st March, 2006 Rupees in Lakhs
Amounts paid/ payable to :		
a) Managing Director		
Salaries , Bonus and Allowances	53.65	37.17
Contribution to Provident, Gratuity and Superannuation Funds	5.97	5.01
Perquisites	5.41	7.81
	65.03	49.99
b) Other Directors		
Directors' Fees	**4.65**	4.65

[3.2] Computation of Net Profit under Section 198(1)/349 of the Companies Act, 1956 has not been provided in view of waiver of commission by the concerned Directors.

[4]

	Year Ended 31st March, 2007 Rupees in Lakhs		Year Ended 31st March, 2006 Rupees in Lakhs
Auditors' Remuneration:			
Audit Fees	**12.00**		12.00
Tax Audit	**3.50**	*	2.50
Others Certifications	**5.55**		4.90
Reimbursement of Expenses (including Service Tax to the extent routed through Profit and Loss Account)	**0.76**		0.31

*Includes Rs 0.50 lakh for Previous Year

[5] Total Amount of Consumption of Raw Materials, Stores and Spares:

	Year ended 31st March, 2007 %	Year ended 31st March, 2007 Value Rupees in Lakhs	Year ended 31st March, 2006 %	Year ended 31st March, 2006 Value Rupees in Lakhs
Imported	86	60616.21	86	45,960.49
Indigenous	14	9,830.22	14	7,305.44
Total	100	70,446.43	100	53,265.93

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

[6] Particulars of licensed capacity, installed capacity, Finished Goods and Sales:

	Year ended 31st March, 2007				**Year ended 31st March, 2006**			
	Carbon Black		Power		Carbon Black		Power	
	Quantity MT	Rupees in Lakhs	Unit	Rupees in Lakhs	Quantity MT	Rupees in Lakhs	Unit	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.	**270,000**		**12 MW**		270,000		12 MW	
Carbon Black :								
Opening Stock	**5,660**	**1,998.35**			7,083	2,003.10		
Actual Production @	**244,900**				220,960			
Closing Stock	**4,052**	**1,399.13**			5,660	1,998.35		
Sales (including sweepings)	**246,508**	**111,276**			222,383	81,725		
Power :								
Generation			**93,814,550 KWH (including Captive Consumption etc. of39,050,801 KWH)**				76,537,191 KWH (including Captive Consumption etc. of 30,458,374 KWH	
Sales			**54,763,749 KWH**	**1,054.62**			46,078,817 KWH	825.83
@ Including production for Research and Development runs and reprocessing	**91.90 MT**				40.10 MT			

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

		Year ended 31st March, 2007		Year ended 31st March, 2006	
		Quantity MT	**Rupees in Lakhs**	Quantity MT	Rupees in Lakhs
[7]	Raw Materials consumed (all indigenous-unless mentioned otherwise) for Manufacturing Carbon Black :				
	(i) L.D.O.	**361**	**118.77**	367	106.49
	(ii) Indigenous Carbon Black Feed stock	**31,501**	**4,969.36**	31,666	4,313.72
	(iii) Imported Carbon Black Feed Stock	**406,803**	**60,531.26**	371,179	45,919.71
	(iv) Tar Oil	**10,323**	**1,655.35**	3,221	365.50
	(v) Others	**24**	**10.09**	30	11.22
		449,012	**67,284.83**	406,463	50,716.64
	Less: Consumption through Research and Devolopment runs: Imported Carbon Black Feed Stock	**163**	**22.83**	72	9.59
		448,849	**67,262.00**	406,391	50,707.05

		Year ended 31st March, 2007 Rupees in Lakhs	Year ended 31st March, 2006 Rupees in Lakhs
[8]	CIF Value of Imports -		
	(a) Raw Materials	57,474.74	38,766.03
	(b) Stores and Spares	83.30	127.49
	(c) Capital Equipment	-	16.11

[9]	Expenditure in Foreign Currency charged to the Profit and Loss Account on account of:		
	(a) Commission on Export Sales	**220.42**	168.57
	(b) Interest	**1,642.65**	1,538.53
	(c) Others	**118.26**	392.89

[10] Advances of Rs.586.37 lakhs (Previous year - Rs. 1,025.95 lakhs) includes Rs.1.24 lakhs (Previous year - Rs. 1.41 lakhs) due by an Officer of the Company, maximum amount due at any time during the year - Rs.1.41 lakhs (Previous year - Rs.1.47 lakhs).

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

[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 :

(a) Certain items of Plant and Machinery being energy saving devices added during the period ended 31st March,1987 :	Under straight line method at rates specified in Schedule XIV of the Companies Act,1956.
(b) Other assets added upto 31st March,1987 :	Under written down value method at rates specified in Schedule XIV of the Companies Act,1956.
(c) Additions since 1st April, 1987 :	Under straight line method at rates specified in Schedule XIV of the Companies Act,1956.

[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, on30th September,1991 and also on 30th September, 2001 (except for 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 upto 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 years1983-84, 1990-91 and 2000-01 respectively.

[11.3] Depreciation for the year ended 31st March, 2007 on items of fixed assets revalued include an additional charge of Rs. 301.88 lakhs (Previous year - Rs. 305.28 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:
(a) Capital Advances unsecured, considered good - Rs. 1,363.95 lakhs (31st March,2006 Rs.8.48 lakhs)
(b) Borowing cost Rs. 342.83 lakhs (31st March, 2006 - Nil)

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

[12] Details of Deferred Tax asset/liability considered in these accounts :-

	As at 31st March,2007 Rupees in Lakhs	As at 31st March,2006 Rupees in Lakhs
Deferred Tax Liability on account of -		
-Depreciation	**4,823.08**	4,986.13
-Others	**0.73**	-
	4,823.81	4,986.13
Deferred Tax Asset on account of -		
- Unabsorbed Depreciation	**-**	1,913.86
- Items allowable for tax purpose on payment	**43.22**	44.57
- Others	**443.94**	192.87
	487.16	2,151.30
Deferred Tax Liability (net)	**4,336.65**	2,834.83

[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.

		31st March,2007 Rupees in Lakhs	31st March,2006 Rupees in Lakhs
[14]	Contingent Liabilities for :		
	(14.1) Outstanding Bank Guarantees etc.	**248.20**	264.20
	(14.2) Bills discounted	**1,813.75**	235.73
	(14.3) Guarantees or Counter Guarantees or Counter Indemnity given by the Company :		
	(a) 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**	1,779.00
	- Outstanding	**9.00**	1,721.23
	(b) for repayment of Housing Loan granted by Housing Development Finance Corporation Ltd. to employees of the Company.	**12.16**	17.45
	(14.4) Claims against the Company not acknowledged as debts :		
	(a) Income-tax matters pending (other than matters set aside for reassessment)	**295.09**	155.12
	(b) Sales Tax matters	**194.66**	194.66

[15] Premium on foreign exchange arising from forward exchange contract to be recognised in the accounts of future periods Rs. 19.07 lakhs (Previous Year 0.72 Lakh)

[16] Earnings in Foreign Exchange on Account of -	**Year Ended 31st March, 2007 Rupees in Lakhs**	Year Ended 31st March, 2006 Rupees in Lakhs
Export Sales (F.O.B. Value)	**22,248.75**	12,961.10
Carbon Credit	**277.66**	-

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

[17] Capital Commitments (net of advances Rs. 1,363.95 lakhs , 31.03.2006 - Rs. 8.48 lakhs) not provided for as at 31st March, 2007 are estimated at Rs. 6,550 lakhs (31.03.2006 - Rs. 36.76 lakhs)

[18] **Segment Information**

(a) Information relating to the two business segments, being carbon black and power has been disclosed as primary segments

(b) Inter-segment transfers being power consumed for manufacture of carbon black are based on price charged to the external customer.

(c) Segment Revenues, Results and Other Information:

Business Segment

Rupees in Lakhs

		Year ended 31.03.2007			Year Ended 31.03.2006		
		Carbon Black	Power	Total	Carbon Black	Power	Total
(i)	**Segment Revenue**						
	External Sales	**111,276.24**	**1,054.62**	**112,330.86**	81,725.09	825.83	82,550.92
	Inter-segment Sales	**-**	**468.14**	**468.14**	-	362.10	362.10
		111,276.24	**1,522.76**	**112,799.00**	81,725.09	1,187.93	82,913.02
(ii)	**Segment Results**						
	Profit before interest and tax	**9,422.27**	**1,195.83**	**10,618.10**	2,411.71	885.84	3,297.55
	Unallocated (expenses)/ income (net)			**(2,903.19)**			(2,102.19)
	Interest			**(3,260.27)**			(3,064.97)
	Profit before tax			**4,454.64**			(1,869.61)
(iii)	**Segment Assets**	**63,003.57**	**3,780.26**	**66,783.83**	61,094.55	3,997.67	65,092.22
	Unallocated			**7,197.72**			5,174.56
				73,981.55			70,266.78
(iv)	**Segment Liabilities**	**49,828.91**	**1,498.21**	**51,327.12**	54,201.06	3,647.13	57,848.19
	Unallocated			**6,074.00**			2,998.07
				57,401.12			60,846.26
(v)	**Capital Expenditure**	**303.61**	**0.35**	**303.96**	454.26	17.86	472.12
(vi)	**Depreciation**	**1,837.06**	**199.42**	**2,036.48**	1,849.22	198.79	2,048.01
(vii)	**Non Cash Expense other than Depreciation (unallocated)**			**68.14**			62.39

Geographical Segment

		Year ended 31.03.2007			Year Ended 31.03.2006		
		Within India	**Outside India**	**Total**	Within India	Outside India	Total
(i)	**Segment Revenue**	**90,082.11**	**22,248.75**	**112,330.86**	69,589.82	12,961.10	82,550.92
(ii)	**Capital Expenditure**	**303.96**	**-**	**303.96**	472.12	-	472.12
(iii)	**Segment Assets**	**70,335.16**	**70,355.16**	**73,981.55**	68,234.35	2,032.43	70,266.78

SCHEDULE 17 - NOTES ON ACCOUNTS *(contd.)*

[19] Proceeds received upon preferential issue of Equity Shares and Convertible Warrants aggregating Rs. 5,397 lakhs have been utillised during the year on an overall basis as set out below:

	Rs. In lakhs
Capital Expenditure	808.18
Working Capital Requirement	4,588.82
	5,397.00

[20] Related Party Disclosures :

Name of the transacting related parties, nature of relationship, transactions and oustanding items:
Key management person-
(a) Mr Sudhir Sahgal, Managing Director till 30th November, 2006
(b) Mr Ashok Goyal, Director in whole time employment from 23rd October, 2006 and Managing Director, from 1st December, 2006

Relative of key management person, referred to in (a) above- Mrs. Aruna Sahgal

<u>Transactions with Key management person referred to in (a) above and his relative:</u>

Remuneration paid/ payable for the year ended 31st March, 2007 Rs. 34.50 lakhs (Previous year- Rs. 49.99 lakhs) and amount due (relating to payments before directorship) as on 31st March, 2007 Rs. 11.44 lakhs (Previous year - Rs. 11.44 lakhs) respectively. Interest on Fixed Deposits with the Company as per Company's scheme paid/ payable to the key management person for the year ended 31st March, 2007 and Fixed Deposit balance with the Company as on 31st March, 2007 are Rs. 0.41 lakh(Previous year-Rs. 1.32 lakhs) and Nil (Previous year -Rs. 5.00 lakhs) respectively. Interest on Fixed Deposits with the Company as per Company's scheme paid/ payable to relative for the year ended 31st March, 2007 and Fixed Deposits balance with the Company as on 31st March, 2007 are Rs. 0.13 lakh (Previous year -Rs. 2.14 lakhs) and Nil (Previous year -Rs. 5.00 lakhs). Rent paid / payable to the relative for the year ended 31st March, 2007 Rs. 3.20 lakhs (Previous year -Rs. 4.80 lakhs).

<u>Transactions with Key management person referred to in (b) above:</u>

Remuneration paid/ payable for the year ended 31st March, 2007 Rs. 30.53 lakhs (Previous year- Nil)

[21] 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.

[22] Expenses are after adjustment of amounts reimbursed to or by the Company.

[23] Interest expenditure is net of Rs. 203.27 lakhs (Previous year-Rs. 215.62 lakhs) being interest earned on Margin Money Deposits and include interest on:
(a) Debenture Rs. 150.79 lakhs (Previous year-Rs. 204.40 lakhs)
(b) Fixed Loans Rs. 1,489.29 lakhs (Previous year - Rs. 906.86 lakhs)

[24] Rent of Rs. 62.20 Lakhs (Previous year Rs. 62.90 lakhs) relates to cancellable operating leases taken on or after 1.04.2001. These lease arrangements range from 11 months to 3 years and are primarily in respect of accommodation for employees, offices, warehouses etc. and inter alia include escalation clause and option for renewal.

[25] Previous year's figures have been regrouped or rearranged where considered necessary.

Cash Flow Statement for year ended 31st March, 2007					
		Year Ended 31st March, 2007 Rupees in lakhs		Year Ended31st March, 2006 Rupees in lakhs	
A.	**Cash Flow From Operating Activities**				
	Net Profit / (Loss) before taxation		**4,454.64**		(1,869.61)
	Adjustments for:				
	Depreciation	**2,036.48**		2,048.01	
	Loss on sale of fixed assets (net)	**47.10**		18.10	
	Unrealised (gain) / loss (net) on foreign exchange fluctuation	**(453.68)**		52.31	
	Income from Dividend	**(2.87)**		(0.11)	
	Interest (Received/Receivable on Inter Corporate Deposits etc.)	**(62.01)**		(53.60)	
	Profit (net) on sale of Investment	**(1.33)**		-	
	Interest (Paid/Payable on loans etc)	**3,260.27**		3,064.97	
	Provision for Doubtful Debts	**624.70**		180.00	
	Provision for diminution in value of investments	**101.01**		16.00	
	Amortisation of payments under Voluntary Retirement Schemes	**68.14**		62.39	
			5,617.81		5,388.07
	Operating Profit before Working Capital Changes		**10,072.45**		3,518.46
	Adjustments for:				
	Inventories	**(2,376.67)**		1,244.91	
	Trade and Other Receivables	**(1,154.57)**		(5,728.17)	
	Trade Payables	**5,588.63**		5,235.35	
			2,057.39		752.09
	Cash Generated from Operations		**12,129.84**		4,270.55
	Direct Taxes Paid (including Tax Deducted at Source)		**(606.73)**		(149.12)
	Payments under Voluntary Retirement Scheme		**(42.00)**		(47.93)
	Net Cash from Operating Activities		**11,481.11**		4,073.50
B.	**Cash Flow from Investing Activities**				
	Payments for fixed assets	**(2,046.71)**		(497.50)	
	Sale proceeds of fixed assets	**58.52**		28.90	
	Purchase of Investment	**(1,650.29)**		(886.57)	
	Sale of Investment	**1,651.62**		-	
	Dividend received from Investments	**2.87**		0.11	
	Inter Corporate Deposits given	**(1,000.00)**		-	
	Inter Corporate Deposits realised	**1,005.75**		600.00	
	Interest Received Others	**22.89**		3.72	
	Interest received on Inter Corporate Deposits etc.	**6.79**		11.14	
	Net Cash used in Investing Activities		**(1,948.56)**		(740.20)

C.	**Cash Flow from Financing Activities**				
	Allotment money (including premium) received	**5,397.61**		2.67	
	Proceeds from long term borrowings	**10,451.80**		359.45	
	Proceeds from short term borrowings	**21,060.90**		25,107.40	
	Redemption of Debentures	**(1,000.00)**		(500.00)	
	Repayment of long term borrowings	**(2,983.54)**		(953.48)	
	Repayment of short term borrowings	**(31,755.53)**		(25,274.38)	
	Increase / (Decrease) in cash credit facilities, temporary overdraft etc. from banks	**(6,328.99)**		1,770.97	
	West Bengal Capital Investment Subsidy received	**-**		125.48	
	Dividends paid (including tax on dividend)	**(3.80)**		(303.27)	
	Interest paid (net)	**(3,268.96)**		(3,061.76)	
	Net Cash used in Financing Activities		**(8,430.51)**		(2,726.92)

Notes to the Cash Flow Statement for the year ended 31st March, 2007

1 The above Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

2 Cash and Cash Equivalents include :	**As at 31.03.2007**	As at 31.03.2006
Cash in Hand (including cheques in hand Rs. 17.85 lakhs as at 31.03.2006)	**2.42**	21.37
Remittances in Transit	**909.16**	606.89
With Scheduled Banks:		
-On Current Accounts	**259.23**	291.49
-On Unpaid and Unclaimed Dividend Accounts (as per contra - Schedule 11)	**30.57**	34.37
-On Short Term Deposits	**-**	44.51
-On Margin Money Account against Letter of Credit/Guarantee *	**3,015.03**	2,115.74
	4,216.41	3,114.37

* Not available for immediate/ready use by the Company.

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

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

P. Law
Partner
(Membership No. 51790)
For and on behalf of
PRICE WATERHOUSE,
Chartered Accountants.
Kolkata
26th June, 2007

Kaushik Mukherjee
Company Secretary

Ashok Goyal
Managing Director

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

LIMITED REVIEW REPORT

The Board of Directors
Phillips Carbon Black Limited
31, Netaji Subhas Road,
Kolkata – 700 001

1. We have reviewed the accompanying statement of “Un-audited financial results for quarter and nine months ended 31” December 2009 (the ‘Statement’) of Phillips Carbon Black Limited prepared by the Company pursuant to Clause 41 of the Listing Agreement with the Stock Exchanges in India, which has been initialed by us for identification purposes. This Statement is the responsibility of the Company’s management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, “Engagements to Review Financial Statements” issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

3. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial date and thus provided less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Statement prepared, fairly in all material respects, in accordance with the Accounting Standards notified pursuant to the Companies (Accounting Standards)Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other recognized accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholdings, as well as that of the promoters and promoter group (both pledged/encumbered and non-encumbered), as disclosed in aforesaid Statement, from the representations & other records and information & explanations given to us by the Company’s management, and found the same to be in accordance therewith.

(P Law)
Partner
Membership number – 51790
For and on behalf of Price Waterhouse
Chartered Accountants

Place : Kolkata
Date : 21st January 2010

(Rs. In Crores)

Particulars	Three Months Ended 12/31/2009 Unaudited	Three Months Ended 12/31/2008 Unaudited	Nine Months Ended 12/31/2009 Unaudited	Nine Months Ended 12/31/2008 Unaudited	Year Ended 31.03.2009 Audited
Sales	375.97	293.64	947.47	977.16	1,200.33
Less : Excise Duty	29.21	31.31	77.37	103.73	124.31
1 (a) Net Sales/ Income from Operations	346.76	262.33	870.10	873.43	1,076.02
(b) Other Operating Income	0.60	0.40	2.07	1.12	1.34
(c) Total	**347.36**	**262.73**	**872.17**	**874.55**	**1,077.36**
2. Expenditure :					
(a) (Increase)/Decrease in Stock in Trade	(8.04)	12.11	(7.79)	(31.51)	(10.01)
(b) Consumption of Raw Material	257.36	256.72	617.86	740.05	939.99
(c) Purchase of Traded goods	-	-	-	-	-
(d) Employees Cost	9.38	7.97	26.32	26.43	34.54
(e) Exchange Fluctuation (Gain)/ Loss	(3.83)	4.34	(8.22)	33.86	46.58
(f) Depreciation	8.30	4.87	21.55	14.87	19.64
(g) Other Expenditure	40.70	27.96	109.13	95.98	129.54
(h) Total	**303.87**	**313.98**	**758.85**	**879.68**	**1,160.28**
3. Profit/ (Loss) from Operations before Other Income Interest and Exceptional Items (1-2)	**43.49**	**(51.25)**	**113.32**	**(5.13)**	**(82.92)**
4. Other Income	0.03	0.94	0.26	13.97	13.10
5. Profit/(Loss) before Interest and Exceptional Items (3+4)	**43.52**	**(50.31)**	**113.58**	**8.84**	**(69.82)**
6. Interest (Net)	7.68	9.21	19.78	21.34	27.48
7. Profit/(Loss) after Interest but before Exceptional Items (5-6)	**35.84**	**(59.52)**	**93.80**	**(12.50)**	**(97.30)**
8. Exceptional items	-	-	-	-	-
9. Profit/ (Loss) from Ordinary Activities Before Tax (7+8)	**35.84**	**(59.52)**	**93.80**	**(12.50)**	**(97.30)**
10. Tax Expense	2.21	(13.54)	7.37	(4.78)	(32.46)
11. Net Profit/(Loss) from Ordinary Activities After Tax (9-10)	**33.63**	**(45.98)**	**86.43**	**(7.72)**	**(64.84)**
12. Extraordinary items (net of tax expense)	-	-	-	-	-
13. Net Profit/(Loss) for the period (11-12)	**33.63**	**(45.98)**	**86.43**	**(7.72)**	**(64.84)**
14. Paid-up Equity Share Capital (Face Value of Rs. 10/- each)	28.25	28.25	28.25	28.25	28.25
15. Reserves excluding Revaluation Reserve					189.93
16. Basic EPS before and after Extraordinary items (Rs)	11.90	(16.27)	30.59	(2.92)	(24.12)
Diluted EPS before and after Extraordinary items (Rs)	11.90	(16.27)	30.59	(2.92)	(24.12)

17. Public shareholding :					
- Number of shares	13,030,475	13,084,264	13,030,475	13,084,264	13,030,375
- Percentage of shareholding	46.12	46.31	46.12	46.31	46.12
18. Promoters and promoter group Shareholding					
a. Pledged/Encumbered					
- Number of shares	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)					
- Percentage of shares (as a % of the total share capital of the company)					
b. Non - encumbered					
- Number of shares	15,222,721	15,168,932	15,222,721	15,168,932	15,222,821
- Percentage of shares (as a % of the total shareholding	100.00	100.00	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	53.88	53.69	53.88	53.69	53.88
1. Segment Revenue :					
(a) Carbon Black	333.03	258.80	830.73	910.57	1,060.51
(b) Power	18.14	5.30	51.89	18.32	23.39
Total	**351.17**	**264.10**	**882.62**	**879.57**	**1,083.90**
Less : Inter Segment Revenue	4.41	1.77	12.52	6.14	7.88
Net Sales / Income from Operations	**346.76**	**262.33**	**870.10**	**873.43**	**1,076.02**
2. Segment Profit Before Interest and Tax :					
(a) Carbon Black	40.21	(54.08)	95.57	15.79	(53.29)
(b) Power	12.62	4.55	38.53	15.93	20.21
Total	**52.83**	**(49.53)**	**134.10**	**31.72**	**(33.08)**
Less :(i) Interest	7.68	9.21	19.78	21.34	27.48
(ii) Other Un-allocable Expenditure net off Un-allocable Income	9.31	0.78	20.52	22.88	36.74
Total Profit Before Tax	**35.84**	**(59.52)**	**93.80**	**(12.50)**	**(97.30)**
3. Segment Capital Employed :					
(a) Carbon Black	488.05	334.52	488.05	334.52	183.54
(b) Power	252.25	34.34	252.25	34.34	31.71
(c) Unallocated	178.75	548.77	178.75	548.77	429.48
Total	**919.05**	**917.63**	**919.05**	**917.63**	**644.73**

1 Commercial operation of 16 MW cogeneration power plant at Mundra commenced from 24th December, 2009.

2 The Company did not have any investor complaint pending as on 1st October, 2009 and as on 31st December, 2009. No complaints were received during the quarter ended 31st December, 2009.

3 Previous period's figures have been regrouped / rearranged wherever necessary.

The above results were reviewed by the Audit Committee and taken on record by the Board of Directors at their meeting held on the 21st January, 2010. The statutory auditor of the Company has carried out a "Limited Review" of the above un-audited financial results in terms of Clause 41 of the Listing Agreement.

By order of the Board

Kolkata
21st January 2010

Ashok Goyal
Managing Director

GENERAL INFORMATION

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