RP - Sanjiv Goenka Group
Growing Legacies

Phillips Carbon Black Limited

30th July, 2018

The Manager,
Listing Department,
National Stock Exchange of India Ltd,
Exchange Plaza,
Plot No. – C – 1, G Block,
Bandra – Kurla Complex,
Bandra (East),
Mumbai – 400051

The General Manager,
Department of Corporate Services,
BSE Ltd.,
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers,
Dalal Street, Fort,
Mumbai – 400001

The Secretary,
The Calcutta Stock Exchange Ltd,
7, Lyons Range,
Kolkata – 700001

Dear Sir,

**Sub: Submission of Annual Report to Stock Exchanges pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Annual Report of the Company for the financial year ended 31st March, 2018, which has been duly approved and adopted by the Members as per the provisions of the Companies Act, 2013 at the Annual General Meeting of the Company held on Friday, the 27th day of July, 2018.

Kindly acknowledge the receipt of the same.

Yours faithfully,
For **PHILLIPS CARBON BLACK LIMITED**

K. Mukherjee
Company Secretary and Chief Legal Officer

**Enclo: As above**

Phillips Carbon Black Limited, 31 Netaji Subhas Road, Kolkata – 700 001, India
Tel: +91 33 6625 1461-64 Fax: +91 33 2248 0140/2243-6681 Email: pcbl@rp-sg.in Web: www.pcblltd.com
CIN: L23109WB1960PLC024602

RP - Sanjiv Goenka Group

Growing Legacies

Phillips Carbon Black Limited

# Annual Report 2017-18

## Touching Lives in more ways than one

## VISION

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

# REPORT CONTENTS

### COMPANY OVERVIEW



### STATUTORY REPORTS



### FINANCIAL STATEMENTS



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

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

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

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

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

## KEY FINANCIAL ACHIEVEMENTS OF FY18

### Revenue (Gross)

₹ 2,600 crore

22% y-o-y growth

### EBITDA

₹ 424 crore

39% y-o-y growth

### Profit After Tax

₹ 230 crore

229% y-o-y growth

### Earnings Per Share

₹ 13.33*

231% y-o-y growth

*Face value: ₹ 2 per share

# MESSAGE FROM CHAIRMAN

## A record year of all-round performance

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

**Dear Shareholders,**

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

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

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

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

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

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

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

Yours sincerely,

Sanjiv Goenka

Sanjiv Goenka

# MANAGING DIRECTOR'S REVIEW

## Meeting customer expectations is our top job

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

**Dear Shareholders,**

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

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

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

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

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

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

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

Warm regards,

Kaushik Roy

# RELIABLE GLOBAL PLAYER

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

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

We have more than 58 years of legacy in the Carbon Black industry and operate state-of-the-art integrated manufacturing plants coupled with Quality Assurance (QA) Laboratories at four different geographical locations across India – Durgapur in West Bengal, Kochi in Kerala and Palej and Mundra in Gujarat. Our technology is an amalgamation of the regional and global best practices absorbed and adopted over the years.

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

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

## Group lineage

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


The Company subscribes to the core values of:

> **Customer Happiness:** Bring a smile on the face of your customer

> **Credibility:** Instill trust and confidence with your actions

> **Humaneness:** Be caring and respectful to all

> **Execution Excellence:** Put your heart and soul into your actions

> **Speed:** Move ahead of time

> **Risk taking:** Dare to go beyond

# Manufacturing capabilities

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

# Global footprint

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

# OUR STRATEGY REVOLVES AROUND CONSISTENT VALUE CREATION

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

## Competitive Advantages

### Experience and expertise

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

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

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

### Reputation and relationships

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

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

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

### Network and know-how

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

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

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

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

**Largest**

We are the largest exporter of Carbon Black from India

**92%**

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

**Being awarded**

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

# Growth Strategies

- Widening our product base from Rubber Black to value-added Rubber Black and Specialty Black
- Focus on national and niche global markets in line with our Vision
- Enhanced focus on Research and Development is consistently improving the quality standards of our products and services
- Strategic partnership with our customers for product development

## Research and Development accreditations

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

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

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

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

## Talent and teamwork

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

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

## Sustainability

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

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

**50+ grades**

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

**915**

Team strength

**First**

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

**76 MW**

Green power capacity

# WIDE APPLICATIONS OF OUR CARBON BLACK

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

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

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

We market our Specialty Black under the brand name – Royale Black. Each of our Specialty Black products has its own personality and functionality, but they have one thing in common: they all symbolise or embody supreme quality. We are one of the three carbon black producers in the world to meet the stringent US FDA requirements for direct/ indirect food contact plastics applications such as plastic food trays and cutleries. Today, our product range can cover more than 90% of the global demand in plastics applications.

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

## Rubber Black

| CATEGORIES | APPLICATIONS | |
|---|---|---|
| **Technical and Moulded Rubber Goods** | > Conveyor belts<br>> Construction profiles<br>> Damping elements<br>> Hoses<br>> Transmission belts<br>> Moulded goods | > Seals<br>> Rubber-to-metal bonding<br>> Unvulcanised sheets<br>> Adhesives<br>> Tubing |
| **Tyre** | > Passenger vehicle tyres<br>> Truck and bus tyres<br>> Off-highway tyres<br>> Agricultural tyres | > Motorcycle and scooter tyres<br>> Three-wheeler tyres<br>> Cycle tyres |


# Specialty Black

**CATEGORIES**

## Non-rubber Black

**APPLICATIONS**

- Fibres
- Wires and cables
- Mulch/ silage film
- Geotextile/ geomembrane
- Engineering plastics
- High-pressure pipes
- Food contact plastics
- Drip irrigation pipe system
- Printing inks
- Coatings
- Battery

# ROBUST INTEGRATED BUSINESS FRAMEWORK

We have put in place processes and practices that are complied by advanced economies of the world. We are adopting contemporary technologies for better business integration and faster decision-making.

## Ensuring raw material security

We primarily use good quality Carbon Black Feedstock (CBFS) such as Carbon Black Oil (CBO), Anthracene Oil (ATO) and Ethylene Bottom Oil (EBO) for making various grades of Rubber Blacks and Specialty Blacks.

We have broad-based our raw material sources by developing multiple vendors (indigenous and global). Today, around 85% of our raw materials are sourced from international sources and 15% from India. We have a prudent inventory management mechanism that ensures seamless operations across all our plants. Our incoming raw materials pass through stringent quality checks.

## Enhancing supply chain efficiency

We have incorporated best practices with our logistics partners to reduce in-transit losses. We have put in place improved packaging thereby reducing chances of product damage and enhancing customer satisfaction. We have enhanced packaging efficiency by loading products in bigger bags. In a freight-sensitive industry, we enjoy an advantage with our facilities located in proximity to ports for both incoming and outgoing materials.

## Ramping up production

Our relentless focus on operational efficiency has enabled us to achieve about 95% capacity utilisation across our four plants. To meet the rising carbon black demand, we are executing two brownfield expansions: a) 56,000 tonnes at Mundra and b) 32,000 tonnes at Palej. We consistently undertake multiple manufacturing excellence programmes across Total Productive Maintenance (TPM), Total Quality Management (TQM) and six sigma, among others.

## Putting customers first

We are reaching out to new customers and fostering stronger relationships with existing customers across domestic and international businesses. Our strong after-sales service and technical support ensures a loyal base of tyre, non-tyre, rubber and non-rubber customers around the world.

## Strengthening IT architecture

We are migrating our existing Enterprise Resource Planning (ERP) System to one of the global best-in-class and latest ERP, SAP S/4 HANA. Through this new system, we are creating a base towards real-time business analytics and MIS for improved decision-making, thus creating efficiencies for our customers. We are moving towards a cloud-based robust IT setup with disaster-recovery system. We are de-risking the business continuity, with near-100% availability of our core data. We are also computing resources to stakeholders, apart from our ability to scale up fast in sync with business growth and demand. Data and network security enhancements are part of our continuous improvement activities.

Establishing a robust IT architecture to create an enhanced customer experience

# New home for innovation

**Our state-of-the-art R&D Centre is located at Palej, Gujarat, focusing on market relevant innovation to enrich our portfolio.**

The Centre has been designed keeping the Carbon-Hydrogen bond structure in mind and it will also explore emerging technologies in new sectors to strengthen our competitive advantage. Our R&D Centre comprises state-of-the-art laboratories for:

> Carbon Black Feed Stock (CBFS) Characterisation

> Carbon Black Characterisation and Carbon Blacks for:
> Novel Rubber Applications
> New Plastics Applications
> Novel Inks, Inkjets/ Tonners

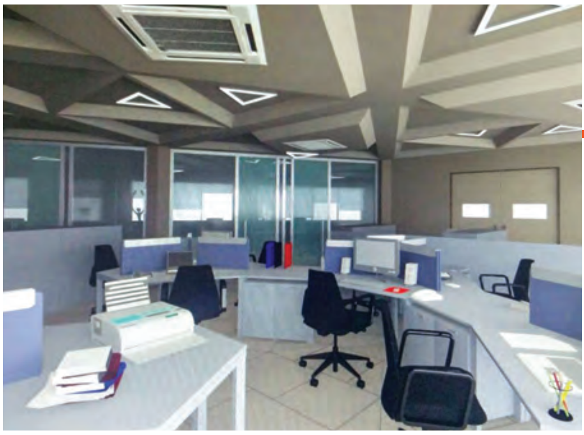
The National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited R&D Centre serves as the seeding ground for ideation, innovation, emerging technology adoption, new product development, new application development, technology solutions for customers and customer engagement, among others, utilising the Plastics and Ink Application Labs.

We are continuously leveraging partnership opportunities with existing and new customers, academic institutes and research centres to bolster product-process performance. The four 'Quality Assurance Laboratories' are also recognised by the Department of Science and Industrial Research (DSIR), Government of India.

The R&D Centre is well supported by a pool of highly experienced and qualified product and process scientists and engineers. It has comprehensive infrastructure and equipment facilities for research and development, which include rubber, plastics and ink formulations, compounding and processing, melt rheology analyser, viscometers, physical and mechanical property analysis, elemental analyser, surface area analyser, Aggregate Size Analyser (ASA), Dynamic Mechanical Analyser (DMA), optical microscope and various analytical equipment.

New R&D Centre at Palej, Gujarat

Exterior view



Interior view

# OUR PERFORMANCE OVER THE YEARS

## Revenue

(₹ in crore)

| | |
|---|---|
| **2017-18** | **2,600** |
| 2016-17 | 2,131 |
| 2015-16 | 2,116 |
| 2014-15 | 2,470 |
| 2013-14 | 2,277 |

## EBITDA

(₹ in crore)

| | |
|---|---|
| **2017-18** | **424** |
| 2016-17 | 305 |
| 2015-16 | 217 |
| 2014-15 | 219 |
| 2013-14 | 155 |

## Profit after tax

(₹ in crore)

| | |
|---|---|
| **2017-18** | **230** |
| 2016-17 | 70 |
| 2015-16 | 23 |
| 2014-15 | 13 |
| 2013-14 | (86.6) |

## Earnings per share

(₹)

| | |
|---|---|
| **2017-18** | **13*** |
| 2016-17 | 4* |
| 2015-16 | 7 |
| 2014-15 | 4 |
| 2013-14 | (25) |

*Face value: ₹ 2 per share

## Production trend

(MT)

| | |
|---|---|
| **2017-18** | **3,99,904** |
| 2016-17 | 3,83,316 |
| 2015-16 | 3,32,038 |
| 2014-15 | 3,11,823 |
| 2013-14 | 2,88,676 |

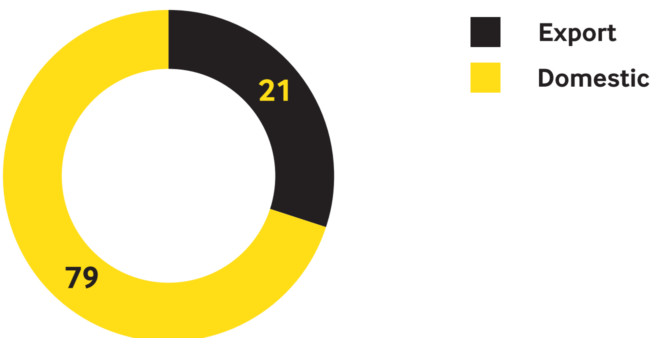
## Sales volume

(MT)

| | |
|---|---|
| **2017-18** | **4,01,781** |
| 2016-17 | 3,87,406 |
| 2015-16 | 3,35,146 |
| 2014-15 | 3,13,562 |
| 2013-14 | 2,87,389 |

## Revenue mix

(%)



# PEOPLE PROPEL OUR PROGRESS

We believe in offering a successful and a rewarding career to our people. We respect each person's aspirations, motivations and career preferences and our broad HR framework is designed to empower people in a wide variety of roles in a workplace culture that encourages transparency and trust. Our People Philosophy is based on five pillars: Leadership, Culture, Capabilities, Demography and Rewards.

## Leadership development

We are focussing on the Leadership Pillar by strengthening the Performance Management System (PMS), which is based on the Big Idea, Business Theme, Methods, Obstacle and Measures (B2MOM) concept. The B2MOM-driven PMS process empowers managers to drive team performance and team development, drives coaching as the inherent trait of a leader and builds leaders' ownership on reward decisions. In line with this philosophy, the senior leadership team attended a workshop 'Crafting the leadership strategy' facilitated by the Managing Director.

The first batch (2017-18) of Certified General Management Programme (CGMP), a 15 months' course in association with International Management Institute, Kolkata, comprising 19 high-potential employees, has been successfully completed and witnessed closure with the graduation ceremony. Their dissertation projects would add value to PCBL in the long-run.

DNA Leaders@PCBL and 'Crafting the Leadership Strategy' are the senior leaders' workshops for defining the PCBL leaders.

## Capability building

The capability building initiatives introduced this year across the Company included:

**VIRTUAL GURUKUL:** This is an online secured cloud-based platform for learning and development. The technical trainings are driven through this platform, which is aimed at inculcating a self-learning culture at PCBL.

We are running two flagship programmes which will cover the entire workforce:

First Class of CGMP, 2017-18

Pragati training programme in progress, at Baroda

1. **PCBLITE LEADERS:** This workshop focuses on capability building by empowering its leaders and enhancing their coaching abilities. The objective of the workshop is to make these leaders deal with people processes in alignment with PCBL's People Philosophy.

2. **PRAGATI:** This workshop aligns the mindset of the employees across the organisation hierarchy towards the Company's business.

**EMBARK PCBLITE:** The new online induction module has been designed to make the new joinees aware about the growing legacies of the RP-Sanjiv Goenka Group, the story of PCBL's transformation journey and its impact on the stakeholders, the Core Values, senior leaders' thoughts and ideas and so on.

# ENHANCING COMMUNITY ENGAGEMENTS

We are relentlessly strengthening a sustainable ecosystem around our manufacturing units through strategic interventions in areas such as education, health and community development.

## Encouraging education

We contributed to infrastructure development at schools, computer literacy programme for underprivileged students, facilitation of tuitions, distribution of school-aid materials, donation towards food distribution, cultural activities at schools for underprivileged students and distribution of uniforms to the community children.

## Promoting health

We constructed individual household toilets under the Swachh Bharat Abhiyaan, contributed towards infrastructure development of hospitals, provided medical aids (including diagnosis and consultation) to the local community and made provision for pulse polio immunisation camp for the children of nearby villages.

## Driving community development

We provided financial assistance for various social projects in backward areas and contributed to the Chief Minister's Relief Fund for Gujarat flood. We also contribute for various projects of socio-economic development.

Distribution of education kits to children, at Kochi

Facilitation of the computer literacy programme, at Durgapur

Donated water tank to supply drinking water, at Palej

Excursion arranged for school children of Mokha, at Bhuj

Empowering women through skill development initiatives

Distribution of clothes

Organised plantation of neem trees on World Environment Day, at Mundra


PCBL participated in Turf Futsal Tournament, at Kolkata. Part of the team participation fee collected was donated to Saroj Gupta Cancer Foundation for the underprivileged children

# SUSTAINABILITY IS EMBEDDED IN OUR BUSINESS MODEL

We are conscious of the impact of our business on the environment and are committed to conduct our operations in a responsible manner.

Our Environment, Health & Safety (EHS) policy provides the necessary guidance for conservation of the environment in which we operate. Determined to reduce the carbon footprints and recycle water and solid waste, we are taking the necessary steps to efficiently utilise our resources. We aim to continuously improve our business operations and align ourselves with the National Action Plan on Climate Change (NAPCC) of the Government of India.

In line with the EHS policy, we have established management systems certified by various accreditation bodies such as ISO 14001 and OHSAS 18001. Detailed contingency plans have also been developed and implemented to prevent, mitigate and control environmental disasters.

Maintaining green environment around our plant

Waste heat recovery, ensuring a clean environment

Celebrating World Environment Day at the Kochi plant

Safety training in progress

90%

More than 90% of the solid waste generated is recycled internally across our facilities

# Promoting sustainable practices

Our co-generation power plants generate power from the tail gas of the carbon black process, thereby replacing the equal amount of fossil fuel fired by the plants. The plants also reduce the Greenhouse Gas (GHG) emissions by 3,91,780 MT of $CO_2$ on an annual basis. The 12 MW co-generation power plant at Palej was the first unit in the world to be registered as a Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC).

We have established rain water harvesting systems for a stable supply of fresh water and most of our manufacturing units recycle the water through the Effluent Treatment Plant (ETP). Doing so has resulted in zero discharge of waste from our factories. More than 90% of the solid waste generated is recycled internally across our facilities. We also contribute towards cleaning of water bodies such as ponds and rivers near our manufacturing units. Further, we supply organic fertilisers, cow fodder and grass to the drought-prone villages located in close vicinity to our plants. In addition, we plant saplings to develop green belts inside and around our factory premises.

# Ensuring safe processes

We have institutionalised safety as a value-led concept by inculcating a sense of ownership at all levels. We conduct customised risk-based training programmes across the manufacturing units, thereby bringing about an overall improvement of the safety standards. We drive safety in all our facilities by undertaking safe workplace initiatives, which has resulted in zero fatal accidents at our plants.

# BOARD OF DIRECTORS

**Sanjiv Goenka**
Chairman

**Kaushik Roy**
Managing Director

**Shashwat Goenka**
Non-Executive Director

**O P Malhotra**
Independent Director

**K S B Sanyal**
Independent Director

**Paras K Chowdhary**
Independent Director

**Pradip Roy**
Independent Director

**Kusum Dadoo**
Independent Director

# LEADERSHIP TEAM

**Kaushik Roy**
Managing Director

**Raj Kumar Gupta**
Chief Financial Officer

**Kaushik Mukherjee**
Company Secretary & Chief Legal Officer

**Sabyasachi Bhattacharya**
Chief – HR & IT

**Utpal Saha**
Chief – Project Commercial & Environment Compliance

**Desh Deepak Misra**
Chief – Manufacturing

**Arun Batra**
Chief – Specialty Blacks

**Jiten Keluskar**
Chief Procurement Officer

**Girish Singh**
Chief – Projects, Specialty Process & Technology

**Dr. Mosongo Moukwa**
Chief – Global R&D

**Gautam Kalia**
Head – International Markets (Rubber Blacks)

**Mainackya Ghosh**
Head – National Markets (Rubber Blacks)

**Soumyendra Mohan Lahiri**
Head – Manufacturing Excellence

**Sinjan Pal Majumdar**
Head – Business Development & Technical Services

**Sudipto Kumar Ghosh**
Head – Central Reliability & Engineering

**Saibal Neogy**
Head – Planning & Customer Service

**Naresh Parekh**
Unit Head – Durgapur

**K Bhupathi**
Unit Head – Kochi

**Saitsh Bhutada**
Unit Head – Palej

**Kingshuk Bose**
Unit Head – Mundra

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Sanjiv Goenka, Chairman
Kaushik Roy, Managing Director
Shashwat Goenka
O P Malhotra
K S B Sanyal
Paras K Chowdhary
Pradip Roy
Kusum Dadoo

**COMPANY SECRETARY & CHIEF LEGAL OFFICER**
Kaushik Mukherjee

**CHIEF FINANCIAL OFFICER**
Raj Kumar Gupta

**AUDITORS**
S. R. Batliboi & Co., LLP
Chartered Accountants

**SOLICITORS**
Khaitan & Co.

**BANKERS**
Bank of Baroda
Allahabad Bank
CITI Bank, N.A.
Export Import Bank of India
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
State Bank of India
Syndicate Bank
Union Bank of India
Yes Bank Limited
IDFC Bank

**REGISTERED OFFICE**
Duncan House, 3rd Floor
31, Netaji Subhas Road
Kolkata 700 001
Phone: (033) 6625 1000,
6625 1500, 6625 1461-64
Fax: (033) 2248 0140, 2243 6681
Email: pcbl@rp-sg.in

**MANUFACTURING UNITS**
**Durgapur**
27, R.N Mukherjee Road
Dist. Burdwan,
Durgapur 713 201
Phone: 97129 18021
Email: naresh.parekh@rp-sg.in

**Kochi**
Karimugal
Brahmapuram PO
Kochi 682 303
Phone: 99466 99832
Email: k.bhupathi@rp-sg.in

**Mundra**
Survey No. 47, SH- 46
Vill Mokha (Near Vadala)
Mundra 370 421
Dist. Kutch, Gujarat
Phone: 89800 11499
Email: kingshuk.bose@rp-sg.in

**Palej**
National Highway No. 8
Palej 392 220
Dist. Bharuch Gujarat
Phone: (02642) 278 128, 99980 30800
Email: satish.bhutada@rp-sg.in

**REGIONAL OFFICES**
**Chennai**
Level 5, Prestige Palladium
Baan No. 129-140, Greams Road,
Chennai 600 006
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Fax: (044) 2855 3257
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**Delhi**
315, 3rd Floor,
MGF Metropolis,
M.G. Road, Gurgaon 122002, Haryana
Phone: (0124) 4031975 / 2352924,
Email: akash.hansrani@rp-sg.in

**Mumbai**
Unit No. 903, Dev Corpora
Cadbury Junction,
Eastern Expressway,
Thane (W), Mumbai - 400 601
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Email: pratik.chatterjee@rp-sg.in

**MARKETS**
**National**
mainackya.ghosh@rp-sg.in

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**USA**
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pcbl.specialtyblack@phillipscarbon.com

**China**
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**Non Rubber Black**
arun.batra@rp-sg.in

Phillips Carbon Black Limited

CIN: L23109WB1960PLC024602
Regd. Offi ce: Duncan House, 3rd Floor, 31, Netaji Subhas Road, Kolkata - 700 001
Tel: (033)-6625-1000/1500/1461-64; Fax: 033-2248-0140
E-mail: pcbl@rp-sg.in; Website: www.pcblltd.com

# ANNUAL GENERAL MEETING NOTICE TO THE SHAREHOLDERS OF THE COMPANY

Notice is hereby given that the fifty-seventh Annual General Meeting of the Members of Phillips Carbon Black Limited will be held at "Dr. R. P. Goenka Auditorium", International Management Institute, Kolkata, 2/4C Judges Court Road, Alipore, Kolkata - 700027 on Friday, the 27th day of July, 2018 at 10:00 A.M. to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st March, 2018 including Consolidated Audited Financial Statements for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.

2. To confirm the payment of Interim Dividend @ 60% (i.e. ₹ 6/- on the face value of ₹ 10/- per equity share) and to declare Final Dividend @ 60% (i.e. ₹ 1.20/- on the face value of ₹ 2/- per equity share) for the financial year ended 31st March, 2018.

3. To appoint a Director in place of Mr. Sanjiv Goenka (holding DIN 00074796), who retires by rotation and being eligible, offers himself for re-appointment.

4. To ratify the appointment of M/s S R Batliboi & Co. LLP, as Statutory Auditors of the Company, and to fix their remuneration and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"Resolved that pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 ('the Act'), (including any statutory modification(s) or re-enactment thereof, for the time being in force), and pursuant to the recommendation made by the Audit Committee of the Board of Directors of the Company, the re-appointment of the retiring Auditors, M/s. S R Batliboi & Co. LLP, Chartered Accountants, having Registration No 301003E/E300005 to hold office from the conclusion of the 56th AGM of the Company till the conclusion of the 61st AGM of the Company to be held in the year 2022, be and is hereby ratified and the said Auditors be paid such remuneration as may be decided by the Audit Committee of the Board of Directors of the Company."

## SPECIAL BUSINESS:

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

5. **(As a Special Resolution):**

"Resolved that subject to the applicable provisions of Foreign Exchange Management Act, 1999, as amended ("FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 as amended ("FEMA Regulations"), the Consolidated FDI Policy Circular of 2017 dated August 28, 2017 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force), together with the applicable subsisting provisions of the Companies Act, 1956 and the rules made thereunder, each as amended and all other applicable acts, rules, regulations, provisions and guidelines, circulars (including any statutory modifications or re-enactments thereof for the time being in force) and subject to notification by the Reserve Bank of India, and such other statutory/regulatory compliances and approvals as may be necessary, and subject to such conditions as may be prescribed by any of the said concerned authorities while granting such approvals, permissions or sanctions which may be agreed to by the Board, the limit of investment by Foreign Portfolio Investors (FPIs) and/or Foreign Institutional Investors (FIIs) in the equity share capital of the Company, in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended or direct purchase or acquisition from the open market under the FEMA, increased to 30% (thirty per cent) of the paid-up share capital of the Company, provided however, that the shareholding of foreign investors, including FPIs or FIIs, on its own account and on behalf of each of their SEBI approved sub-accounts in the Company, shall not exceed such limits as may be prescribed, from time to time, under applicable FEMA laws, rules and regulations.

Resolved further that Mr. Kaushik Roy, Managing Director, Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer and Mr. Raj Kumar Gupta, Chief Financial Officer, of the Company be and are hereby severally or jointly authorized to do all such acts, things and deeds on behalf of the Company and make such filings with the regulatory authorities, including the Reserve Bank of India, to effectively implement this Resolution."

6. **(As an Ordinary Resolution)**

"Resolved that pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 as amended by the Companies Amendment Act, 2017 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded for the ratification of appointment of M/s. Shome & Banerjee, Cost Accountants, the Cost Auditors appointed by the Board of Directors of the Company ('the Board") for the financial year ending 31st March, 2019, with a remuneration of ₹ 4,50,000/- (Rupees Four Lacs Fifty Thousand only).

Resolved further that, the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

Registered Office:
31, Netaji Subhas Road
Kolkata – 700 001
CIN: L23109WB1960PLC024602

By Order of the Board

Kolkata
4th May, 2018

**Kaushik Mukherjee**
Company Secretary

## NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, setting out material facts relating to Special Business to be transacted at the Annual General Meeting is annexed hereto.

2. **A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy/Proxies to attend and vote on a poll instead of himself/herself. Such a proxy/proxies need not be a Member of the Company.** Pursuant to Section 105 of the Companies Act, 2013, a person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

   The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting. A Proxy Form is annexed to this Notice. Proxies submitted on behalf of the companies, societies etc., must be supported by appropriate resolutions / authorities, as applicable.

3. **The business set out in the Notice will be transacted through remote electronic voting system and the Company is providing facility for voting by remote electronic means.** Instructions and other information relating to E-voting are given in the Notice under Note No. 26.

   Members attending the meeting, who have not cast their vote by remote e-voting, shall be able to exercise their right to vote at the meeting through ballot papers.

4. The Register of Members and Share Transfer Books of the Company shall remain closed from the 20th day of July, 2018 to the 27th day of July, 2018 (both days inclusive).

5. An interim dividend @ 60% (i.e. ₹ 6/- on the face value of ₹ 10/- per equity share) was declared at the meeting of the Board of Directors of the Company held on 24th October, 2017 to those Members whose names appeared on the Company's Register of Members, or appeared as beneficial owners at the close of business on 8th November, 2017 ('Record Date') and the same was paid on and from 13th November, 2017.

   If the final dividend @60% (i.e. ₹ 1.20/- on the face value of ₹ 2/- per equity share) as recommended by the Board of Directors of the Company at its Meeting held on 4th May, 2018, is declared at the Meeting, the same will be paid on and from Tuesday, the 31st day of July, 2018 to those Members whose names will appear on the Company's Register of Members or who are notified as beneficiaries by the Depositories, viz., National Securities Depository Ltd. and Central Depository Services (India) Ltd. at the close of business on 19th July, 2018 ('Record Date').

6. Members, Proxies and Authorised Representatives are requested to bring their attendance slips enclosed herewith, duly completed and signed, mentioning therein the details of their DP ID and Client ID / Folio No. to the venue of the AGM. Duplicate attendance slips or copies of the Report and Accounts will not be made available at the venue of the AGM.

7. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend as and when declared. The Company or its Registrar and Share Transfer Agent, M/s. Link Intime India Private Limited, cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the respective Depository Participants of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend(s) are requested to write to the Company.

8. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their Bank Details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc. to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to the Company's Registrar and Share Transfer Agent.

In case the mailing address mentioned on the Attendance Slip is without the PINCODE, Members are requested to inform the PINCODE immediately.

9. Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 read with the relevant circulars and amendments thereto ('IEPF Rules'), the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government. The Company had, accordingly, transferred ₹ 18,31,850/- being the unpaid and unclaimed dividend amount pertaining to the Final Dividend for the Financial Year 2009-2010 on 22nd September, 2017.

10. The Company has been sending reminders to those Members having unpaid / unclaimed dividend before transfer of such dividend(s) to IEPF. Details of the unpaid / unclaimed dividend are also uploaded as per the requirements, in the section "Investor Relations" on the Company's website viz. www.pcblltd.com. Members, who have not yet encashed their dividend pertaining to the Final Dividend for Financial Year 2010-2011, are advised to write to the Company immediately claiming dividends declared by the Company. The Final Dividend for the Financial Year 2010-2011 is due to be transferred to the IEPF immediately after 3rd September, 2018. In case valid claim is not received by that date, the Company will also proceed to transfer the respective shares to the Demat Account of the IEPF Authority ('IEPF Account') in terms of the IEPF Rules.

11. Pursuant to the provisions of IEPF Rules, all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred by the Company to the designated IEPF Account within a period of thirty days of such shares becoming due to be transferred to the IEPF Account. Accordingly, the Company will transfer 10,68,695 Equity Shares of the face value of ₹ 2/- each to the IEPF Account pertaining to the Financial Year 2009-10, on which the dividends remained unpaid or unclaimed for seven consecutive years with reference to the due date of 9th May, 2018 after following the prescribed procedure. In this regard, the Company has individually informed the shareholders concerned and also published notice in the newspapers as per the IEPF Rules. The details of such shareholders and shares due for transfer for the Financial Year 2009-10 are uploaded in the section "Investor Relations" on the website of the Company viz. www.pcblltd.com.

    Dividend and corresponding shares, as stated in points 9 and 11 once transferred to IEPF by the Company, may be claimed only from the IEPF Authority by following the procedure prescribed under the IEPF Rules.

    Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer is the Nodal Officer of the Company for the purpose of verification of such claims.

12. Members can avail the nomination facility, under Section 72 of the Companies Act, 2013 by submitting Form No. SH.13 as per Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 with the Company. Blank forms will be made available on request.

13. The Securities and Exchange Board of India (SEBI) has guided Companies through their Registrar and Share Transfer Agent (RTA) to collect and update the Permanent Account Number (PAN) and bank account details of their physical shareholders. Accordingly the physical shareholders can submit their PAN Card and bank account details with Linktime India Pvt. Ltd., RTA of the Company. SEBI has also mandated that for registration of transfer of securities, the transferee(s) as well as the transferor(s) shall furnish a copy of their PAN Card to the Company.

14. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease of portfolio management. Members can contact the Company or Company's Registrar and Share Transfer Agent - Link Intime India Private Limited for the same.

15. Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company or Registrar and Share Transfer Agent, the details of such folios together with the share certificates for consolidating their holding in one folio. A Consolidated share certificate will be returned to such Members after making requisite changes thereon.

16. In case of Joint holders attending the Meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.

17. Non-resident Indian Members are requested to inform Company's Registrar and Share Transfer Agent, Link Intime India Private Limited, immediately of:

    (a) Change in their residential status on return to India for permanent settlement.

    (b) Particulars of their bank account maintained in India with complete name, branch, account type, account number, IFSC code and address of the bank with pin code number, if not furnished earlier.

18. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with the Company's Registrar and Share Transfer Agent/Depositories for receiving all communication including Annual Report, Notices, Circulars etc. from the Company electronically. With regard to the same, Members whose e-mail i.d.s are registered with our Registrar and Share Transfer Agent, viz. Link Intime India Pvt. Ltd, shall also receive a communication from our Registrar wherein Members shall be informed about the Service of Documents to them in Electronic Mode and in case, they wish to register a different e-mail i.d., they can also update the same with their Depository Participant, in case of shares held in demat mode and with the Registrar and Share Transfer Agent, in case of shares held in physical mode.

19. The route map showing directions to reach the venue of the Fifty Seventh (57th) AGM is annexed hereto.

20. Electronic copy of the Notice of the 57th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip, Proxy Form and Route Map is being also sent to all the Members whose email IDs are registered with the Company's Registrar and Share Transfer Agent/Depository Participants for communication purposes. For Members who have not registered their email addresses, physical copies of the Notice of the 57th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip, Proxy Form and Route Map is being sent in the permitted mode.

21. Electronic copy of the Annual Report for Financial Year 2017-2018 is being sent to all Members whose email IDs are registered with the Company's Registrar and Share Transfer Agent/Depository Participants for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their email addresses, physical copies of the Annual Report for Financial Year 2017-2018 is being sent in the permitted mode.

22. Members may also note that the Notice of the 57th Annual General Meeting, Attendance Slip, Proxy Form and Route Map will be available on the Company's website at www.pcblltd.com and also on the website of NSDL at https://www.evoting.nsdl.com for their download. The Annual Report for Financial Year 2017-2018 will be available on the Company's website www.pcblltd.com for their download. The physical copies of the aforesaid documents will also be available at the Secretarial Department of the Company's Registered Office in Kolkata for inspection during normal business hours(10.00 am to 6.00 pm) on all working days, up to the date of Annual General Meeting and shall also be available at the venue of the Annual General Meeting of the Company. Even after registering for e-communication, Members are entitled to receive such communication in physical form, by post free of cost, upon making a request for the same. For any communication, the shareholders may also send requests to the Company's investor email id – pcbl.investor@rp-sg.in.

23. To prevent fraudulent transactions, Members are advised to exercise due diligence and notify the Company of any change in address or demise of any Member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic Statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified from time to time.

24. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting at least 3 days before the AGM.

25. Details as required in sub-regulation (3) of Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard on General Meeting (SS-2) of ICSI in respect of the Director seeking re-appointment at the Annual General Meeting, forms an integral part of the Notice. The Director has furnished the requisite declaration for his re-appointment.

26. Voting through electronic means

I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015, Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide its Members, facility to exercise their right to vote on the Resolutions proposed to be considered at the 57th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services. The facility of casting the votes by the Members using an electronic voting system from a place other than the venue of the AGM ("Remote e-Voting") will be provided by National Securities Depository Limited (NSDL).

II. Members of the company, instead of casting their votes by the aforesaid "Remote E-voting" may cast their votes at the venue of the Annual General Meeting through physical ballot papers, which shall be made available at the venue of the AGM and only such Members attending the meeting, who have not cast their vote by Remote e-voting, shall be able to exercise their right to vote at the Meeting through ballot papers.

III. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM, but shall not be entitled to cast their votes again.

IV. The remote e-voting period commences on 24th July, 2018 (9:00 am IST) and ends on 26th July, 2018 (5:00 pm IST). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. 20th July, 2018, may cast their votes by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

V. A person who is not a Member as on the cut-off date should treat this Notice for information purpose only.

VI. The process and manner for Remote E-voting are as under:

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1 : **Log-in to NSDL e-Voting system at** https://www.evoting.nsdl.com

Step 2 : **Cast your vote electronically on NSDL e-Voting system.**

**Details on Step 1 are mentioned below:**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eser vices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|---|---|
| a) For Members who hold shares in demat account with NSDL | 8 Character DP ID followed by 8 Digit Client ID<br>For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12****** |
| b) For Members who hold shares in demat account with CDSL | 16 Digit Beneficiary ID<br>For example if your Beneficiary ID is 12************** then your user ID is 12************** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company<br>For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Your password details are given below:
   a. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

   b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c. How to retrieve your 'initial password'?
      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a pdf file. Open the .pdf file. The password to open the pdf file is your 8 digit Client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:
   a) Click on "Forgot User Details/Password"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) "Physical User Reset Password" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 are given below:**

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles

2. After clicking on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status

3. Select "EVEN" of company for which you wish to cast your vote

4. Now you are ready for e-Voting as the Voting page opens

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted

6. Upon confirmation, the message "Vote cast successfully" will be displayed

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page

8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote

## GENERAL GUIDELINES FOR SHAREHOLDER

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to anjanroy_2003@yahoo.co.in with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com to reset the password.

VII. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or contact NSDL on toll free no: 1800-222-990. In case of any grievance related to voting by electronic means, you may please contact Mr. Amit Vishal, Senior Manager, NSDL / Ms. Pallavi Mhatre, Asst. Manager, NSDL at 022 2499 4360 / 022 2499 4545 and send an e-mail to evoting@nsdl.co.in and amitv@nsdl.co.in/ pallavid@nsdl.co.in.

VIII. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot Password' option available on the site to reset the password.

IX. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and Password/PIN for casting your vote.

X. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

XI. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 20th July, 2018.

XII. Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the notice and holding shares as on the cut-off date i.e. 20th July, 2018 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or kolkata@linkintime.co.in.

However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

XIII. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

XIV. Pursuant to the provisions of Section 108 of the Companies Act 2013 read with the rules thereof, Mr. Anjan Kumar Roy, Practicing Company Secretary, (Membership No. FCS 5684) has been appointed as the Scrutinizer to scrutinize the voting at the AGM and remote e-voting process in a fair and transparent manner.

XV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of "Ballot Papers" for all those Members who are present at the AGM but have not cast their votes by availing the mode of Remote E-voting facility.

XVI. The Results of voting will be declared within 48 hours from the conclusion of AGM. The declared results along with the Scrutinizer's Report will be available forthwith on the website of the Company www.pcblltd.com and on the website of NSDL. Such results will also be displayed on the Notice Board at the Registered Office of the Company and shall be forwarded to the National Stock Exchange of India Limited, BSE Limited and Calcutta Stock Exchange Limited.

27. For convenience of the Members and proper conduct of the Meeting, entry to the Meeting venue will be regulated by the Attendance Slip, which is enclosed with this Notice. Members are requested to sign at the place provided on the Attendance Slip and hand it over at the Registration Counter at the venue.

28. Members desiring any information relating to the accounts are requested to write to the Company well in advance so as to enable the management to keep the information ready.

29. All documents referred to in the accompanying Notice and the Explanatory Statement shall be available at the Secretarial Department of the Company's Registered Office in Kolkata for inspection during normal business hours (10.00 am to 6.00 pm) on all working days, up to the date of Annual General Meeting and shall also be available at the venue of the Annual General Meeting of the Company.

30. It is hereby informed that the Members of the Company shall be allowed to enter the venue of the AGM only on or after 9:30 A.M.

Registered Office:
31, Netaji Subhas Road
Kolkata – 700 001
CIN: L23109WB1960PLC024602

By Order of the Board

Kolkata
4th May, 2018

**Kaushik Mukherjee**
Company Secretary

## I EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### ITEM NO. 5

As per the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, the permissible limit under portfolio investment scheme is restricted to 24% of the paid-up share capital of the Company and the same can be raised to 30% of the paid-up share capital of the Company through a resolution by the Board of Directors followed by a special resolution to that effect by the shareholders at the General Meeting. The Board at their meeting held on 4th May, 2018 has resolved to increase the aggregate investment limit of foreign portfolio investors/foreign institutional investors to 30% in the Company.

Accordingly, consent of the Members is sought for passing a Special Resolution for increasing the limit of shareholding by FPIs / FIIs to 30% of the paid-up share capital of the Company.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in this Resolution.

The Board recommends the Resolution as set out in Item No. 5 of the Notice be passed by the Members of the Company as a Special Resolution.

### ITEM NO. 6

The Board of Directors, on the recommendation of the Audit Committee, has approved at their Meeting held on 4th May,2018, the appointment and remuneration of M/s. Shome & Banerjee, Cost Accountants, the Cost Auditors to conduct the audit of the cost records of the Company for the Financial Year ending 31st March, 2019 at a remuneration of ₹ 4,50,000/- (Rupees four lacs fifty thousand only).

In accordance with the provisions of Section 148 of the Act as amended by the Companies Amendment Act, 2017 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the Members of the Company.

Accordingly, consent of the Members is sought for passing an Ordinary Resolution as set out under Item No. 6 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2019.

None of the Directors, Key Managerial Personnel, and their relatives are concerned or interested, financially or otherwise, in the aforesaid Resolution.

The Board recommends the passing of the Resolution by the Members of the Company as set out in Item No. 6 of the Notice.

## II. DETAILS OF DIRECTOR SEEKING RE-APPOINTMENT AS REQUIRED UNDER REGULATION 36 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS, 2015

### (i) RE-APPOINTMENT OF MR. SANJIV GOENKA

### ITEM NO. 3

Mr. Sanjiv Goenka, Chairman of the RP-Sanjiv Goenka Group, is a former member of the Prime Minister's Council on Trade & Industry. He has been the youngest-ever President of Confederation of Indian Industry (CII) and also a former President of All-India Management Association (AIMA). He is the Chairman of the Board of Governors, Indian Institute of Technology (IIT), Kharagpur and the Chairman of International Management Institute (IMI) which has campuses in Delhi, Kolkata and Bhubaneswar. He is also the Honorary Consul of Canada in Kolkata.

Apart from being a Director of the Company since October, 1986 and presently its Chairman, Mr. Goenka is on the Boards of CESC Limited, Saregama India Limited, Firstsource Solutions Limited, Spencer International Hotels Limited, Spencer and Company Limited and Eveready Industries India Ltd. He is also the Chairman of the Board of Directors of the first three of these six companies.

Mr. Goenka is a Member of the Audit Committee of CESC Limited, Chairman of Stakeholders Relationship Committee of CESC Limited and Saregama India Limited and Chairman of Corporate Social Responsibility Committee of CESC Limited. Mr. Goenka does not hold by himself or for any other person in any manner, any shares in the Company. He is not related to any other director of the Company except with Mr. Shashwat Goenka.

Mr. Goenka is aged 57 years and is a Commerce graduate. The Board recommends the Resolution in relation to his re-appointment as a Director, for the approval by the Members of the Company.

Except Mr. Goenka being the appointee and Mr. Shashwat Goenka, being related to Mr. Sanjiv Goenka, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested financially or otherwise, in the Resolution as set out at Item No. 3 of the Notice. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

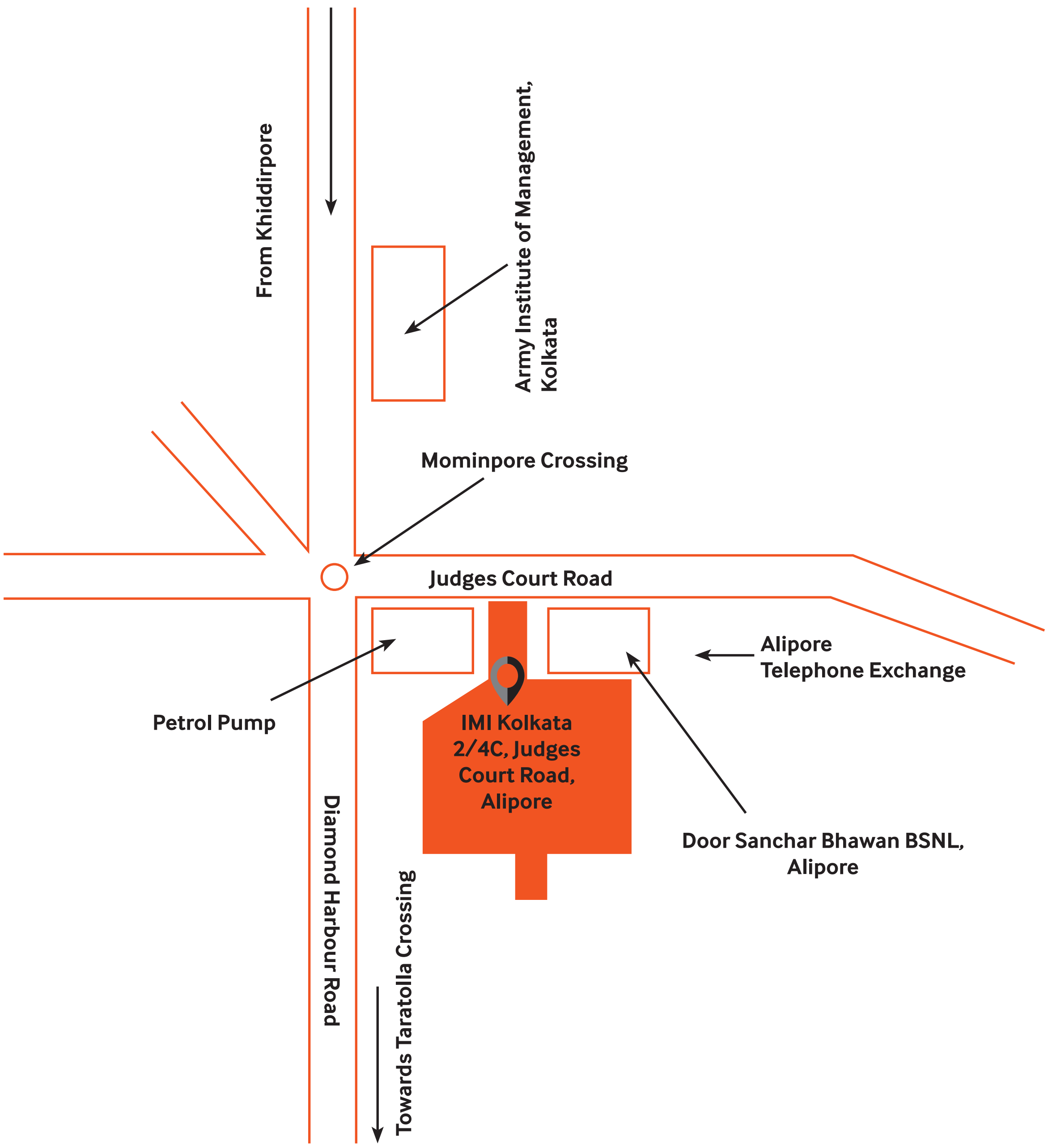
Registered Office:
31, Netaji Subhas Road
Kolkata – 700 001
CIN: L23109WB1960PLC024602

By Order of the Board

Kolkata
4th May, 2018

**Kaushik Mukherjee**
Company Secretary

# ROUTE MAP TO PCBL AGM VENUE




Dr. R P Goenka Auditorium,
International Management Institute, Kolkata
2/4C, Judges Court Road, Alipore,
Kolkata - 700027

# BOARD'S REPORT

Your Directors have pleasure in presenting the fifty-seventh Annual Report on the business and operations of Phillips Carbon Black Limited and the Audited Accounts for the financial year ended 31st March 2018.

## FINANCIAL HIGHLIGHTS

(Amount in ₹ Crore)

| Year ended | 31.03.18 | 31.03.17 |
|---|---|---|
| **Total Revenue** | **2600.31** | **2131.27** |
| **PBDIT** | **424.07** | **305.02** |
| Less: Finance and hedging cost | 59.73 | 78.88 |
| **PBDT** | **364.34** | **226.14** |
| Less: Depreciation | 60.52 | 60.62 |
| **PBT** | **303.82** | **165.52** |
| Tax expense | 74.04 | 96 |
| **PAT** | **229.78** | **69.52** |
| Balance brought forward | 684.78 | 652.77 |
| Remeasurement of post-employment benefit obligation, net of tax | (1.94) | (0.16) |
| Transferred from OCI | - | (2.09) |
| Profit available for appropriation | 912.62 | 720.04 |
| Proposed dividend, including tax on dividend | (27.25) | (35.26) |
| Balance carried forward to the Balance Sheet | 885.37 | 684.78 |

The financial statements for the year ended 31st March, 2018 have been prepared in accordance with the Indian Accounting Standards (IND AS) notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014.

## DIVIDEND

The Board of Directors, at its meeting held on 24th October 2017, declared an interim dividend of 60% i.e. ₹ 6/- per equity share on the face value of ₹ 10/- per equity share. This interim dividend was paid during FY 17-18.

Based on the Company's annual performance, your Directors are happy to recommend a final dividend of 60% i.e. ₹ 1.20 /- per equity share on the face value of ₹ 2/- per equity share for approval of the Members at the ensuing Annual General Meeting (AGM) of the Company.

During the year under review, the Company has adopted a Dividend Distribution Policy and the same is annexed herewith.

## PERFORMANCE OVERVIEW

### Carbon Black

Your Company's FY18 EBITDA rose to ₹ 424.07 crore as against ₹ 305.02 crore in the previous year. PAT for the year was ₹ 229.78 crore, which is almost 3.30 times that of previous year's PAT of ₹69.52 crore.

### Power

Your Company's power segment revenue (excluding inter segment revenue) was at ₹ 84.60 crore, marginally lower as compared to ₹ 85.10 crore in FY17, a result of lower availability of co-generation power plant primarily on account of debottlenecking activities.

A detailed review of the operations for the financial year ended 31st March 2018 is given in the Management Discussion and Analysis Report, which forms a part of this Report.

## MANUFACTURING

Carbon Black production during FY18 rose to 3,99,904 MT as compared to 3,83,316 MT in the previous year.

The improvement in capacity utilisation was due to higher market demand and a rise in consumption trend of the automobile sector. With its strategically located four plants, your Company is well poised to service customers in India and overseas. The vicinity of seaports to a couple of the Company's plants should facilitate logistic costs within India and abroad.

## CREDIT RATINGS

During the year under review, the Company had received its credit ratings from the agencies ICRA and CARE. The credit rating received from ICRA on 14th November 2017 stated that after due consideration, the Rating Committee of ICRA retained the rating of [ICRA] A+ (pronounced ICRA A Plus) for ₹ 400 crore line of credit. The outlook on the long-term rating was revised from 'Stable' to 'Positive'. The credit ratings received also from CARE on 2nd February 2018 stated that the rating for the long-term bank facilities aggregating to ₹ 554 crore was revised to CARE AA-: Stable (Double A Minus; Outlook: Stable), long-/short-term bank facilities aggregating to ₹ 1,850 crore was revised to CARE AA- : Stable/CARE A1 + (Double A Minus; Outlook: Stable /A One Plus) and commercial paper issue amounting to ₹ 500 crore was upgraded to CARE A 1 + (A One Plus)–Reaffirmed. Further, on 5th February 2018, the Rating Committee of ICRA, revised the rating from [ICRA] A + (pronounced ICRA A Plus) to [ICRA] AA – (pronounced ICRA double A Minus) for ₹ 400 crore line of credit. The outlook on the long-term rating was revised from 'Positive' to 'Stable'.

## AMALGAMATION ORDER

The Company has received from the National Company Law Tribunal (NCLT), Kolkata Bench, the certified true copy of the Order sanctioning the Scheme of Amalgamation of Goodluck Dealcom Private Limited, a wholly owned subsidiary of Phillips Carbon Black Limited, with Phillips Carbon Black Limited and filed the certified true copy of the Order vide E-form INC-28 with the Registrar of Companies, West Bengal.

The Scheme of Amalgamation became effective from 1st April 2016.

## SUB-DIVISION OF EQUITY SHARES OF THE COMPANY

Pursuant to the Special Resolution passed by the Shareholders of the Company by way of Postal Ballot / E-voting on 3rd April 2018, the Company had sub-divided 1 Equity Share of the face value of ₹ 10/- per share, fully paid up, to 5 Equity Shares of the face value of ₹ 2/- per share, fully paid up, effective from 21st April 2018.

## SUBSIDIARY COMPANIES

The Company has three subsidiaries as on date, namely, Phillips Carbon Black Cyprus Holding Limited, PCBL Netherlands Holdings B.V. and Phillips Carbon Black Vietnam Joint Stock Company. There are no associate companies or joint venture companies within the meaning of Section 2(6) of the Companies Act, 2013 ('the Act').

The Company has prepared a Consolidated Financial Statement of the Company and of all the subsidiaries, namely, Phillips Carbon Black Cyprus Holding Limited, PCBL Netherlands Holdings B.V. and Phillips Carbon Black Vietnam Joint Stock Company in the form and manner as that of its own, duly audited by M/s. S R Batliboi & Co., LLP, the statutory auditors in compliance with the applicable accounting standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'SEBI Listing Regulations.')

The Consolidated Financial Statements for the year 2017-18 form a part of the Annual Report and Accounts and shall be laid before the Members of the Company at the AGM while laying its financial statements under sub-section (2) of the said section. Pursuant to the provisions of Section 129(3) of the Act read with Rule 5 of the Companies (Accounts) Rules, 2014, a statement containing the salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements of the Company.

Further, pursuant to the provisions of Section 136 of the Act as amended by the Companies Amendment Act, 2017, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries are available on the website of the Company.

The Company does not have any material subsidiary in the immediately preceding accounting year. However, as per revised SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI has made it mandatory for all listed companies to formulate a policy for determining 'material' subsidiaries. Accordingly, a policy on 'material' subsidiaries was formulated by the Audit Committee of the Board of Directors and the same is also posted on the Company's website and may be accessed at http://pcblltd.com/investorrelations/investorrelations.php.

## MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with Regulation 34 of the SEBI Listing Regulations, a separate section on the Management Discussion and Analysis, which includes details on the state of affairs of the Company is given in 'Annexure–A', which is annexed hereto and forms a part of the Boards' Report.

## EXTRACT OF ANNUAL RETURN

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of Annual Return in the prescribed format is given in 'Annexure–B', which is annexed hereto and forms a part of the Boards' Report.

## SHARE CAPITAL

Your Company's paid-up Equity Share Capital as on 31st March 2018 stood at ₹ 34.47 crore. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. As on 31st March 2018, none of the Directors of the Company hold shares or convertible instruments of the Company.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under sub-section (3)(m) of Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are given in 'Annexure–C', which is annexed hereto and forms a part of the Boards' Report.

## PUBLIC DEPOSITS

The Company does not have any Public Deposit Scheme and has repaid all Public Deposits that matured and were claimed by the depositors under the earlier Public Deposit Schemes. There is no outstanding balance as on 31st March 2018.

## MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial position of the Company that have occurred between the close of the financial year ended 31st March 2018 and the date of this Boards' Report.

## DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS, COURTS AND TRIBUNALS

No significant and material order has been passed by the Regulators, Courts and Tribunals impacting the going concern status and the Company's operations in future.

## INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS

A detailed section on the Company's internal financial controls with reference to financial statements and its adequacy is a part of the Management Discussion and Analysis Report, which forms a part of the Boards' Report.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the financial statements.

## COMMITTEES OF THE BOARD

Currently, the Board has five committees: Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and the Independent Directors' Committee. A detailed note on the composition of the Board and its committees is provided in the Corporate Governance Report section of this Report.

## CORPORATE SOCIAL RESPONSIBILITY

In accordance with Section 135 of the Act and the rules made thereunder, the Company has formulated a Corporate Social Responsibility Policy, a brief outline of which, along with the required disclosures, is given in 'Annexure–D', which is annexed hereto and forms a part of the Boards' Report.

The Company, along with other companies of the Group, has set up the RP-Sanjiv Goenka Group CSR Trust to carry out CSR activities.

The detail of the CSR Policy is also posted on the Company's website and may be accessed at **http://pcblltd.com/investorrelations/investorrelations.php.**

## VIGIL MECHANISM / WHISTLE BLOWER POLICY

In compliance with the provisions of Section 177(9) of the Companies Act, 2013 and SEBI Listing Regulations, the Company has framed a Whistle Blower Policy / Vigil Mechanism for Directors, employees and stakeholders for reporting genuine concerns about any instance of any irregularity, unethical practice and/or misconduct. The details of the Vigil Mechanism / Whistle Blower Policy are also posted on the Company's website and may be accessed at **http://pcblltd.com/investorrelations/investorrelations.php.**

## BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, SEBI Listing Regulations and Circulars and Guidance Notes issued by SEBI in this regard, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and other Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report which is annexed hereto.

At a separate meeting of Independent Directors, the performances of Non-independent Directors, the Board as a whole and the Chairman were evaluated, taking into account the views of Executive Directors and Non-executive Directors. The same was also discussed in the Board Meeting. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

## REMUNERATION POLICY

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for the selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy and the details pertaining to the remuneration paid during the year are furnished in the Corporate Governance Report which is annexed hereto.

## RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. Hence, the provisions of Section 188 of the Companies Act, 2013 as amended are not attracted. Thus, disclosure in Form AOC-2 is not required. Further, there are no materially significant Related Party Transactions during the year under review made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee for approval.

The policy on Related Party Transactions as approved by the Board is posted on the Company's website and may be accessed at **http://pcblltd.com/investorrelations/investorrelations.php.**

## RISK MANAGEMENT

Risk Management is the process of identification, assessment and prioritization of risks followed by coordinated efforts to minimize, monitor and mitigate/control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. The Company has laid down a comprehensive Risk Assessment and Minimization Procedure, which is reviewed by the Audit Committee and approved by the Board from time to time. This procedure is reviewed to ensure that the Executive Management controls risk through means of a properly defined framework.

## PARTICULARS OF EMPLOYEES

As required under the provisions of Section 197 of the Companies Act, 2013 and Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, particulars of the employees concerned forms a part of the Board's Report. Having regard to the provisions of Section 136 of the Companies Act, 2013, the Annual Report and Accounts, excluding the aforesaid information, are being sent to the Members of the Company. Any Member interested in obtaining such particulars may write to the Company Secretary of the Company. The said information is also available for inspection at the Registered Office during normal business hours (10 a.m. to 6 p.m.) on all working days, up to the date of the AGM and shall also be available at the venue of the AGM of the Company.

## KEY MANAGERIAL PERSONNEL

During the year, there was no change in the Key Managerial Personnel of the Company.

## DETAILS RELATING TO REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND EMPLOYEES

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is marked as 'Annexure–E' ,which is annexed hereto and forms a part of the Board's Report.

## BUSINESS RESPONSIBILITY REPORT

A detailed Business Responsibility Report in terms of the provisions of Regulation 34 of the SEBI Listing Regulations is available as a separate section in this Annual Report.

## LISTING

The equity shares of the Company continue to be listed on the National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE). The Company has paid the requisite listing fees to all the Stock Exchanges for FY 2018-19.

## CORPORATE GOVERNANCE

A separate Report on Corporate Governance as prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, together with a certificate from the Company's Auditors confirming compliance, is set out in the Annexure forming part of this Annual Report.

## NUMBER OF MEETINGS OF BOARD OF DIRECTORS

The details of the number of meetings of the Board of Directors held during FY17-18 form a part of the Corporate Governance Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3) (c) of the Companies Act, 2013, the Directors, to the best of their knowledge and belief, confirm that:

i) In the preparation of the annual accounts for the financial year ended 31st March 2018, the applicable accounting standards have been followed and there are no material departures;

ii) Appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the period;

iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The annual accounts have been prepared on a going concern basis;

v) Internal financial controls laid down by the Directors have been followed by the Company and such internal financial controls are adequate and were operating effectively; and

vi) Proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## DECLARATION BY INDEPENDENT DIRECTORS

The Company has received the necessary declarations from each Independent Director under Section 149(7) of the Companies Act, 2013 that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and Regulations 16(b) and 25 of the SEBI Listing Regulations.

## AUDITORS

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 and pursuant to the recommendation made by the Audit Committee of the Board of Directors of the Company, Messers S R Batliboi & Co. LLP, having Registration No. 301003E/E300005 allotted by The Institute of Chartered Accountants of India (ICAI), was appointed as the Statutory Auditors of the Company from the conclusion of the 56th AGM of the Company held on 21st September 2017 till the conclusion of the 61st AGM to be held in the year 2022, subject to ratification of their appointment at every AGM. Accordingly, a Resolution seeking the ratification of the Members for their appointment is included at Item No. 4 of the Notice convening the AGM.

## COST AUDIT

Pursuant to Section 148 of the Companies Act, 2013 as amended by the Companies Amendment Act, 2017 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Cost Audit records maintained by the Company relating to manufacture of Carbon Black and generation and transmission of electricity at the plants located at Durgapur in West Bengal, Kochi in Kerala, Mundra and Palej in Gujarat, is required to be audited. Your Directors had, on the recommendation of the Audit Committee of the Board of Directors of the Company, appointed Messrs Shome & Banerjee, to audit the cost accounts for the FY18-19 on a remuneration of ₹ 4,50,000/- (rupees four lacs fifty thousand only). As required under the Companies Act, 2013, the remuneration payable to the Cost Auditors is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a Resolution seeking ratification of the Members for the remuneration payable to Messrs Shome & Banerjee, Cost Auditors is included at Item No. 6 of the Notice convening the AGM.

The Company submits its Cost Audit Report with the Ministry of Corporate Affairs within the stipulated time period.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Anjan Kumar Roy & Co., Company Secretaries (Membership No. FCS 5684) to undertake the Secretarial Audit of the Company. The Secretarial Audit Report for the financial year ended 31st March 2018 is marked as 'Annexure–F', which is annexed hereto and forms a part of the Board's Report.

## QUALIFICATION, RESERVATION OR ADVERSE REMARK IN THE AUDIT REPORTS

There is no qualification, reservation or adverse remark made by the Statutory or Cost or Secretarial Auditors in their Audit Reports issued by them.

## DIRECTORS

Mr. Sanjiv Goenka retires by rotation at the forthcoming AGM and being eligible, offers himself for re-appointment.

Mr. C R Paul resigned from Directorship with effect from 20th April, 2018 due to his advancing age and declining health. The Board has placed on record its deep appreciation for the invaluable support and guidance received from Mr. C R Paul during his long association since 1989 as Director of the Company.

The policy on Directors' appointment and remuneration, including the criteria for determining the qualifications and positive attributes, forms a part of the Corporate Governance section of the Annual Report.

## CHANGE IN THE NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business of the Company.

## HUMAN RESOURCES

A detailed section on the Company's Human Resource Development is a part of the Management Discussion and Analysis Report, which forms a part of the Board's Report.

## GREEN INITIATIVES

To support the 'Green Initiative', Members who have not registered their email addresses are requested to register the same with the Company's Registrar and Share Transfer Agent/Depositories for receiving all communications, including Annual Report, Notices, Circulars, etc., from the Company electronically. With regard to the same, Members whose email IDs are registered with our Registrar and Share Transfer Agent, viz. Link Intime India Pvt. Ltd, shall also receive a communication from our Registrar wherein Members shall be informed about the Service of Documents to them in electronic mode and in case, they wish to register a different email ID, they can update the same with their Depository Participant in case of shares held in demat mode and with the Registrar and Share Transfer Agent in case of shares held in physical mode.

## ACKNOWLEDGEMENT

Your Directors record their appreciation for the encouragement, assistance and co-operation received from members, government authorities, banks, customers and all other stakeholders. They also thank them for the trust reposed in the Management and wish to thank all employees for their commitment and contribution.

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN: 00074796)

Kolkata
4th May, 2018

# DIVIDEND DISTRIBUTION POLICY

## PREAMBLE

The Equity shares of Phillips Carbon Black Limited (the 'Company' or PCBL) are listed with National Stock Exchange of India Ltd, BSE Limited and The Calcutta Stock Exchange Ltd. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulation'), as amended, all listed companies are required to formulate a Dividend Distribution Policy. The Policy has to be disclosed in the Company's Annual Report and on its website.

## OBJECTIVE

The objective of the Dividend Distribution Policy of the Company is to reward shareholders by sharing a portion of the available profits, after ensuring that sufficient funds are retained for the future business requirements of the Company.

## EFFECTIVE DATE

This Policy is effective from the financial year 2017-18.

### Definitions

> 'Act' means the Companies Act, 2013 and Rules made thereunder, including any amendments or modifications thereof.

> 'Board of Director' or 'Board' means the collective body of the Directors of the Company.

> 'Company' mean Phillips Carbon Black Limited.

> 'Policy' means, the 'Dividend Distribution Policy'.

### Guidelines for Distribution of Dividend

> The Company shall pay dividend (including interim dividend) in compliance with the provisions of Section 123 of the Act and Companies (Declaration and Payment of Dividend) Rules, 2014.

> The Board shall recommend dividend when, according to the Board's opinion, it is financially prudent to do so, especially considering the need to preserve resources.

> While recommending any dividend for payment by the Company, the Board shall consider the following:

> > Current year's profits, future outlook, with due consideration of internal and external environment.

> > Operating cash flows and treasury position

> > Possibilities of alternative usage of cash, e.g. capital expenditure etc., with potential to create greater value for shareholders.

> > Providing for unforeseen events and contingencies with financial implications.

> > Other factors that may be considered relevant from time to time

> The Board may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the annual general meeting of the Company.

> Dividend distribution shall be in accordance with the applicable provisions of the Act and Rules framed thereunder, SEBI Regulations and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

## AMENDMENTS

The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

# MANAGEMENT DISCUSSION AND ANALYSIS (Annexure A to the Board's Report)

## GLOBAL ECONOMIC OVERVIEW

The ongoing recovery in global manufacturing, investment and trade activities continued in 2017. At 3.8%*, the global economic growth in 2017 was the fastest since 2011 and is expected to further grow to 3.9%* in 2018 due to the supportive market conditions. Advanced economies are set to grow faster; euro area economies have witnessed incremental growth since mid-2014 owing to the supportive monetary policy of the central bank. The expansionary fiscal policy of the US administration should drive the US economy growth in the coming years. Growth is firming up in the commodity income dependent emerging markets and developing economies, with an upswing in crude after the recent years of weak performance.

In the US, growth is expected to rise to 2.9%* in 2018. Improving external demand and the impact of the December 2017 tax reform–particularly lower corporate tax rates and the temporary allowance for full expensing of short lived investments.

The growth recovery in the euro area is projected to increase to 2.4%* in 2018 due to stronger-than-expected internal demand, supportive monetary policy and improved external demand prospects.

Growth in the emerging markets and developing economies is expected to increase further to 4.9%* in 2018 owing to continued strong economic performance in Emerging Asia and improved prospects for commodity exporters after three years of weak performance. Emerging Asia remains the most important engine of global growth. In China, growth is projected to moderate from 6.9%* in 2017 to 6.6%* in 2018. Over the medium term, the Chinese economy is projected to continue to shift from investment driven to private-based consumption and from industry to services. Higher crude export revenue and loose monetary policy supported Russia's economy recovery in 2017. The Russian economy is expected to improve further in 2018 following better crude performance.

> The global tyre industry has been witnessing a shift in the tyre manufacturing activity, with Asia carving a much larger piece of the pie with regard to the number of plants.

The Indian economy is projected to increase from 6.7%* in 2017 to 7.4%* in 2018 driven by strong private consumption and fading transitory effects of the demonetisation initiative and the implementation of the Goods and Services Tax (GST). The consumption is expected to be driven by a normal monsoon, controlled inflation and low cost of borrowings. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and encourage private investment. Resolution of stressed assets in banking systems and Government focus on job creation through rural and labour-intensive infrastructure spending will further pave the way for sustainable growth.

## GLOBAL REAL GDP GROWTH TREND*

| | 2016 | 2017 | 2018 (P) |
|---|---|---|---|
| World Output | 3.2 | 3.8 | 3.9 |
| Advanced Economies | 1.7 | 2.3 | 2.5 |
| - United States | 1.5 | 2.3 | 2.9 |
| - Euro Area | 1.8 | 2.3 | 2.4 |
| - United Kingdom | 1.9 | 1.8 | 1.6 |
| Emerging and developing economies | 4.4 | 4.8 | 4.9 |
| - Russia | -0.2 | 1.5 | 1.7 |
| - China | 6.7 | 6.9 | 6.6 |
| - India | 7.1 | 6.7 | 7.4 |
| - Brazil | -3.5 | 1.0 | 2.3 |
| - South Africa | 0.6 | 1.3 | 1.5 |

### Global tyre industry insight

The global tyre industry has been witnessing a shift in the tyre manufacturing activity, with Asia carving a much larger piece of the pie with regard to the number of plants. Almost 60% of the global tyre plants are located in Asia today.

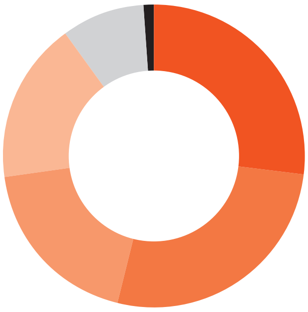
As per Notch Consulting, approximately USD 22 billion of investment is planned in the global tyre industry between 2016-21, with Asia accounting for almost 46% share. China alone is contributing 19% in terms of the investment planned. Currently, China is the world's largest market for tyres. The growth of the Chinese auto industry in recent years has acted as a catalyst to the Chinese tyre industry, both in terms of production and sales. Overall, Asian economies accounting for more than 50% of the global sales are likely to grow rapidly in the coming years through 2021.

Among the advanced economies, the US tyre industry, both replacement market and the Original Equipment (OEM) segment, has seen muted or stagnant growth. Passenger car and light truck markets have witnessed a decline in both segments. However, the medium and heavy truck tyre market has seen a rising demand across both segments. The European tyre industry continues to register improving growth. Germany, the UK, France, Italy, Spain and Poland are the major markets that contribute to more than 60% of the total Europe tyre sales in terms of volume.

* IMF estimates
\# Source: Notch Consulting

## $22 Billion Global Investments in Tyre Industry between 2016-21*

(%)



| | |
|---|---|
| Asia excl. China | 27 |
| North America | 27 |
| China | 19 |
| Europe | 17 |
| Africa/Middle East | 9 |
| South America | 1 |

## $5.9 Billion to be invested in Asia Pacific excluding China#

(%)

| | |
|---|---|
| Thailand | 29 |
| India | 22 |
| Vietnam | 19 |
| Indonesia | 9 |
| Bangladesh | 6 |
| Korea | 5 |
| Taiwan | 5 |
| Others | 5 |

In 2017, the global passenger car tyre demand grew by an estimated 2.7%. The Original Equipment Manufacturer (OEM) demand sustained globally, except North America. The replacement tyre segment grew by estimated 3% with most of the growth coming from Europe, Asia and South America.

The global truck and bus tyre segment witnessed strong demand from OEM segment. Asia observed increased sales of estimated 26% in the segment with most of the growth coming from China (approx. 30 % yoy). The demand in North America grew by an estimated 10%, while Europe recorded a growth of 8%. Globally, replacement demand had muted growth, with most of the demand coming from North America and Europe, while Asia observed almost stagnant growth.

### INDIAN AUTOMOBILE AND TYRE INDUSTRY REVIEW

The Indian automobile and tyre industry recovered strongly in the second half of 2017 from the disruptive forces of the demonetisation initiative by the Government of India in 2016 and the GST implementation in 2017.

As per SIAM (Society of Indian Automobile Manufacturers), in FY18, the Indian automobile industry recorded a rise in passenger vehicle demand by 7.9%, commercial vehicle by 19.94%, three-wheeler by 24.19% and two-wheeler by 14.8%. The Indian tyre Industry received a boost in demand due to a strong growth in OEM production. The Indian replacement market too is witnessing robust demand across the segments. The antidumping duty imposed on commercial vehicle tyre import from China also contributed to the increase in tyre production. Government focus on improving infrastructure facilities, low interest cost environment, normal monsoon forecast and restoration of normalization after GST implementation are expected to drive the FY19 tyre industry growth of 7-9%.

### CARBON BLACK INDUSTRY OUTLOOK

The carbon black industry is dominated by rubber carbon black used in tyres as a reinforcing material. Rubber carbon black markets are largely regional oligopoly markets. Non-tyre rubber black and carbon black used in non-rubber applications are smaller markets in terms of tonnage, but more profitable than rubber black. The carbon black industry is fairly consolidated, with the top 10 players accounting for 62% of global capacity, while the Indian market is majorly consolidated with four players.

## Carbon black application by volume

(%)

| | |
|---|---|
| Tyre | 73 |
| Non Tyre Rubber | 20 |
| Non Rubber | 7 |

Carbon black used in high-end non-rubber applications is commonly known as 'Specialty Blacks'. Specialty carbon black imparts specific characteristics such as high-quality pigmentation, UV protection, dispersion, viscosity control and electrical conductivity. These blacks find applications in plastics, inks, paints and coatings and batteries used across industries such as automobile, electronics, textiles, construction, packaging etc.

## Specialty blacks applications by volume#

(%)

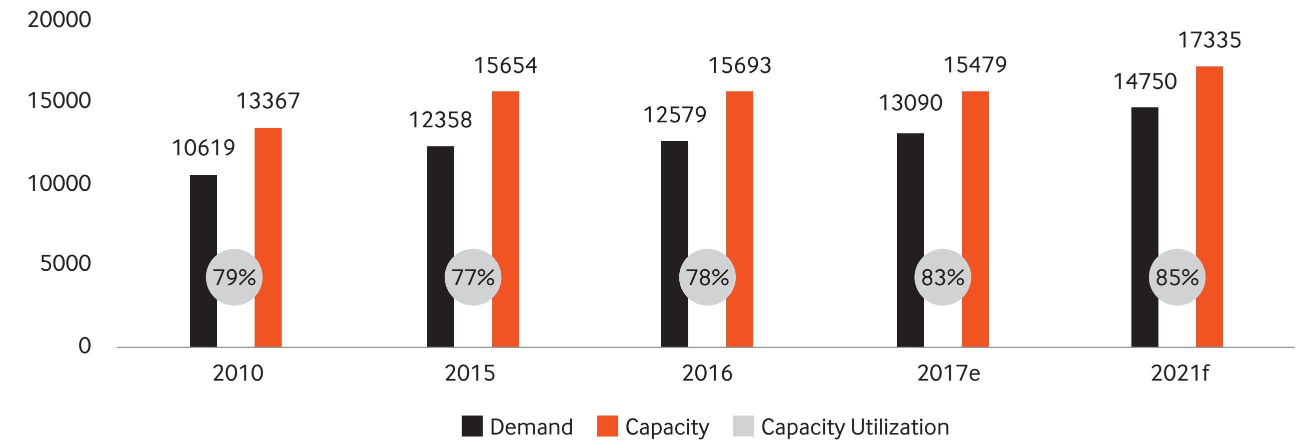
| | |
|---|---|
| Plastic | 63 |
| Ink & Toners | 11 |
| Paints & Coatings | 5 |
| Batteries | 5 |
| Others | 16 |

* IMF estimates
# Source: Notch Consulting

The global carbon black industry is projected to grow at a rate of 3 – 3.5 % CAGR with demand outpacing the supply. Demand in advanced economies such as the US and the European Union (EU) is growing at a relatively slower rate compared to that of the Asian countries.

## World Demand Supply Scenario#

(KT)

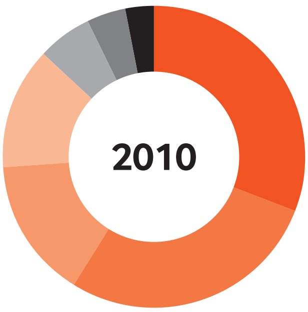



Today, most of the world's carbon black demand is concentrated in Asia, with China alone accounting for approx. 36%# of the share. India, Japan, Thailand, South Korea and Indonesia are the other key markets for carbon black in the rest of the Asia. Further, almost 46%# of the global investment in tyre capacities is planned in Asia in next 3-4 years.

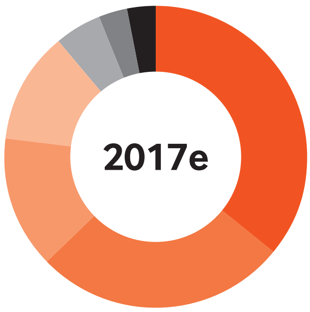
Carbon black demand across geographies is witnessing a major shift due to these newer capacities investment. Asia's share is increasing over time, with Chinese carbon black commanding an increase in share on the back of robust automobile and tyre growth. There is also an increasing demand for carbon black demand in other Asian countries such as Thailand, Indonesia, Japan, India, etc. due to tyre and other industrial rubber goods investments.

## Global Carbon Black demand Regional Spread#

(%)




| | |
|---|---|
| China | 31 |
| Asia excl. China | 28 |
| North America | 15 |
| European Union | 13 |
| South America | 6 |
| Eastern Europe | 4 |
| Africa/Middle East | 3 |

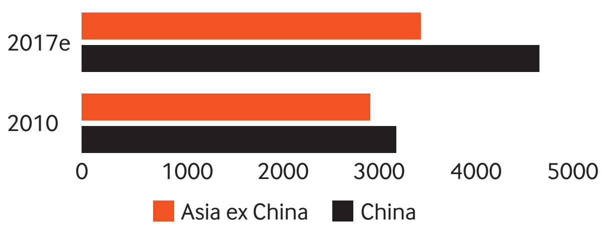



| | |
|---|---|
| China | 36 |
| Asia excl. China | 27 |
| North America | 14 |
| European Union | 12 |
| South America | 5 |
| Eastern Europe | 3 |
| Africa/Middle East | 3 |

* IMF estimates
\# Source: Notch Consulting

## Asia Carbon Black demand#

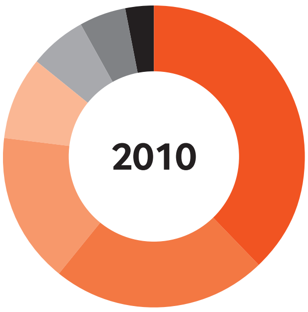
(KT)



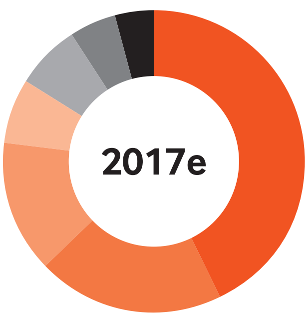

Similar to demand, most of the global carbon black capacities too today are concentrated in Asia, with China alone accounting for almost 43% of the global capacity. This huge capacity installation in China is due to the high steel production growth it witnessed since 1990 leading to an oversupply of the by-product, coal tar. Apart from other industries, raw coal tar is also used as feedstock for carbon black production. High economic growth spurred the demand for steel products in growing construction industry leading to increase in supply of coal tar and therefore fueling the carbon black industry in China. Surplus availability of coal tar at a low cost helped Chinese carbon black manufacturers to manufacture and dump their products at low prices in international geographies such as the US, South East Asia and India.

## Global Carbon Black capacity regional spread#

(%)




| | |
|---|---|
| China | 38 |
| Asia excl. China | 23 |
| North America | 16 |
| European Union | 9 |
| Eastern Europe | 6 |
| South America | 5 |
| Africa/Middle East | 3 |




| | |
|---|---|
| China | 43 |
| Asia excl. China | 20 |
| North America | 14 |
| European Union | 7 |
| Eastern Europe | 7 |
| South America | 5 |
| Africa/Middle East | 4 |

* IMF estimates
# Source: Notch Consulting

Today, the global carbon black industry is affected by many factors. The Government of China's environmental control measures in 2016-17 forced many Chinese carbon black manufacturers to curtail their production. Along with carbon black, the aluminium and steel industry were equally affected in terms of production capacity. Some of the smaller manufacturing units had to close down their plants as they couldn't afford the penalty imposed by the government in view of violation of the environmental norms. This resulted in a skewed demand-supply situation for coal tar as well as carbon black, leading to rising market prices for the feedstock and the finished product.

Strict environmental norms in the US have forced the US carbon black producers to reach an agreement with the US Environmental Protection Agency (EPA) where they have to incur a huge capital expenditure on environmental systems in their US manufacturing units, with no increase in capacity.

In the EU, the demand is higher than local supply. Russia and other Eastern Europe based carbon black manufacturers export most of their produced finished goods to the EU.

The Indian carbon black market is also witnessing a good growth on account of higher capacity utilization by tyre majors located in the country on account of both higher OEM demand and replacement demand. Further, tyre makers are planning to invest in green-field and brown-field projects to expand their capacity to cater to the increasing demand.

### ABOUT PHILLIPS CARBON BLACK LIMITED (PCBL)

PCBL is a part of the RP-Sanjiv Goenka Group, India's youngest business group. This Group is a large conglomerate having interests in Power and Natural Resources, Carbon Black, Retail and Fast-moving Consumer Goods (FMCG), Media and Entertainment, Infrastructure and Information Technology (IT) and Education and Sports, amongst others.

With a proud legacy of over 58 years, PCBL is the largest Carbon Black producer in India. It was set up in association with Phillips Petroleum, a US-based company, in 1960. PCBL started its commercial production in Decemeber,1962. PCBL had a technical collaboration with Columbian Chemical for about a decade. On 1st November, 1996, the Company acquired Carbon Black Division of Gujarat Carbon and Industries Limited. In 1996-97, Carbon and Chemicals India Limited was amalgamated with the Company, effective 1st April, 1997. PCBL has redefined its business by establishing co-generation power plants at each factory using the off-gas generated from the Carbon Black manufacturing process, thus creating a sustainable green movement. Today, with four manufacturing units at Durgapur in West Bengal, Mundra and Palej in Gujarat and Kochi in Kerala, we have a total rated production capacity of 5,15,000 MT per annum and 76 MW of green power. The brownfield expansion in Palej (32000 tonnes) and Mundra (56000 tonnes), both in Gujarat is likely to be completed by Q2 FY20. We are also planning to expand our capacity by establishing a Greenfield plant in southern India.

Keeping customer centricity at the core, the Company constantly strives for execution excellence by reinventing itself and bringing in the best global practices. PBCL's wide-ranging portfolio of ASTM-certified, customised, high-performance products cater to the customers' specific requirements. Gradually moving up the value chain, the Company has been expanding its portfolio of high-performance value-added grades for both Rubber and Specialty black applications.

PBCL has a strong focus on Research and Development (R&D). We work closely with our customers to understand their requirements and accordingly develop different grades of Carbon Black. This helps us to focus on manufacturing high-performance non-rubber Carbon Black and Specialty Carbon Black. Further, leveraging on the efficiency of our R&D wing, we have developed a seamless capability of using multiple feedstocks such as Carbon Black Feed Stock (CBFS), Carbon Black Oil (CBO), Anthracene Oil (ATO) and Ethylene Bottom Oil (EBO )for the manufacture of Carbon Black.

## MANUFACTURING UNITS

| | Carbon Black | Power |
|---|---|---|
| Durgapur | 1,63,500 MT | 30 MW |
| Kochi | 92,500 MT | 10 MW |
| Palej | 1,10,250 MT | 12 MW |
| Mundra | 1,48,750 MT | 24 MW |
| **Total** | **5,15,000 MT** | **76 MW** |


Durgapur unit, West Bengal, Eastern India


Kochi unit, Kerala, Southern India


Mundra unit, Gujarat, Western India


Palej unit, Gujarat, Western India

Our Company strives to stay ahead of the competition owing to our growing global presence, diversified product portfolio and consistent robust performance, continuous focus on Research and Development, among others.

## GLOBAL PRESENCE

With its efficient supply chain and distribution network, PCBL has a market presence in more than 30 countries. We ensure timely delivery of products through our decanting stations and our warehouses located in close proximity to customer locations. Our list of customers includes most of the best-known global tyre majors and we have made our mark as one of the key players in the Specialty Black segment.

## DIVERSIFIED PRODUCT PORTFOLIO

PCBL provides a wide portfolio of Carbon Black grades to meet the specific end requirements across tyres and other niche applications globally. The Rubber Black portfolio caters to the demand of all renowned tyres and industrial rubber goods customers across the globe, helping their products in reinforcing physical properties. Our portfolio also caters to non-rubber high-margin applications, plastic being the largest application globally by market size. The Specialty portfolio can serve more than 90 % of the plastic market by product segment in various industries worldwide. We have a strong capability in the areas of engineering plastics, fibres, US Food and Drug Administration (FDA) approved food contact grades, conductors and cables, etc. We are also paving a path to build additional capability in ink, paint and coating applications.

## RUBBER APPLICATIONS

**Tyres**

Present in complete tyre applications across all segments, including:

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

**Technical and Moulded Rubber Goods**

Present in industrial rubber applications, including:

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

* IMF estimates
\# Source: Notch Consulting

## NON RUBBER APPLICATIONS

**Engineering Plastics**

**Fibre**

**USFDA Approved Food Contact**

**Pressure Pipes, Film and Mouldings**

**Conductors and Cables**

**Inks and Coatings**

## PERFORMANCE -

### Carbon Black:

PCBL's FY18 EBITDA rose to ₹ 424.1 crore as against ₹ 305 crore in the previous year. The strong increase in EBITDA is on the back of sustained volume growth driven by the Company's customer-centric initiatives, both in the domestic and international markets. It reflects higher contribution margins on account of a shift in the product mix to value-added premium grades, leveraging on our geographical reach and improvement in operational efficiencies.

Finance cost for the year was down by 24% due to the refinancing of high cost debt and improvement in the overall working capital efficiency. Profit Before Tax (PBT) for the year increased by ₹ 138.3 crore, or 83%, to ₹ 303.8 crore as compared to ₹ 165.5 crore for FY17.

With considerable absorption of Deferred Tax Assets in FY17, the Company returned to a lower tax bracket in FY18 and as a result, Profit After Tax (PAT) for the year increased to ₹ 229.8 crore, an increase of ₹ 160.3 crore, or 228%, over ₹ 69.5 crore in the previous year.

During the year, your Company also carried out a comprehensive debottlenecking exercise, which would be available for utilisation in FY19. Project work on brown-field rubber and Specialty lines is progressing satisfactorily and we expect commissioning of all the three lines progressively by Q2 FY20.

### Power

Your Company's power segment revenue (excluding inter segment revenue) was at ₹ 84.6.crore, marginally lower as compared to ₹ 85.1 crore in FY17 as a result of lower availability of CPP, primarily on account of the debottlenecking activities. We expect the overall power generation and sales volume to increase in FY19. Average net realisation of power during the year was higher at ₹ 3.13/u as compared to ₹ 2.81/u in FY17, an increase of ~11% Y-o-Y.

## FOCUS ON RESEARCH AND DEVELOPMENT

Technology at PCBL is an amalgamation of the best practices absorbed and adopted by the Company, over its journey of more than 50 years. All the four 'Quality Assurance Laboratories' located at each manufacturing unit are recognized by Department of Science & Industrial Research (DSIR), Government of India. The 'Central Application Laboratory' and the 'R&D Centre' of PCBL are located at Palej, Gujarat.

There are state-of-the-art laboratories for:

> Carbon black characterisation

> CBFS characterisation

> Rubber applications

> Specialty applications

The NABL-accredited R&D centre serves as the seeding ground for new product development as well as for partnering with customers for customising product/process ability to enhance their product/process performance. The central application lab and the R&D centre are well supported by a pool of experienced, well-qualified process and product development scientists and engineers, along with global infrastructure, which includes Gas Chromatography (GC), Elemental Analyser (EDX), Nitrogen Surface Area (NSA) analyser, Particle Size Analyser (PSA), Dynamic Mechanical Analyser (DMA), optical microscope, rheometer, viscometer, rubber- and plastic-processing equipment, etc.

The R&D team works seamlessly to bring in new products and technologies meeting the various processing, application and environmental norms of our customers.

Our new R&D Centre at Palej, Gujarat

* IMF estimates
\# Source: Notch Consulting

## BUSINESS REVIEW AND OUTLOOK

PCBL's business and financial performance has seen significant improvement in the last 4 years after the Company embarked on a journey of excellence across the organization. Several strategic initiatives have been taken across the organization such as productivity improvement, new product development, customer centricity, plant reliability, increasing vendor base for sourcing, better working capital management and Specialty blacks growth. Our relationship with our customers has transformed into a strategic partnership where we are working together on future projects. These initiatives, along with the support from the market, have culminated in a steady and consistent improvement in the bottom line, healthy cash flows and a robust balance sheet and will keep adding value for the company in the coming years.

The demand for Carbon Black in India is estimated to grow at 6-8% in the coming years. Overseas demand for Carbon Black has been forecasted by Carbon Black experts to grow at relatively lower rate. We have established a supply chain distribution network to ensure timely delivery and strong relationship management to service our customers, thus widening our presence in the international market.With its wide product portfolio basket in rubber blacks, growing high-performance rubber black and Specialty black capability, manufacturing units located strategically near customer locations and capacity expansion at its existing units of Palej and Mundra, the Company is well positioned to meet the increased demand. We are also planning to set up a Greenfield Carbon Black manufacturing unit in South India to cater to the growing demand for Carbon Black.

## OPPORTUNITIES AND THREATS

We are constantly on the lookout for opportunities that knock on our doors, while keeping tab on the likely threats to our business.

## OPPORTUNITIES

Slow but steady recovery of advanced economies and the Asian market should increase the demand for automobiles and tyres, in turn increasing the demand for carbon black.

The domestic tyre industry is aligning itself in line with any capacity addition in the Indian auto industry, to meet the increasing demand.

Globally, the demand for carbon black is outpacing the increase in capacity and the Company is well positioned to serve the surplus demand through organic growth.

## THREATS

Increasing competition from low-cost carbon black manufacturers such as Russia and China continues.

Aggressive protectionism policies, if any, by advanced economies can prove detrimental to the sales by Indian carbon black manufacturers in the international market.

Any sharp hike in the raw material cost due to geopolitical conflicts might aggravate the working capital requirement and therefore increase the short-term borrowings, impacting finance cost.

## RISKS AND CONCERNS

Carbon Black Feed Stock (CBFS) is the raw material for your Company. It is a residue from a distillation process and is subject to daily volatility. In the case of extreme volatility and if the Company is unable to pass on the increase in CBFS cost, it may have an adverse impact on profit.

The Company is also exposed to fluctuation of the Indian rupee vis-à-vis other currencies, which is fully hedged.

## MAJOR EXPANSION PLANS

We are expanding our Carbon Black capacity at Palej by 32000 tonnes and at Mundra by 56000 tonnes, both in Gujarat. We are also planning to expand our capacity through a greenfield plant in Southern India.

## STEPS IN MANUFACTURING AND PROCUREMENT

Your Company continues to focus on several initiatives to improve its operational efficiencies, such as improving yield, exploring new geographies for feedstock sourcing as well as investing in technical capabilities for developing new grades for high-performance rubber and non-rubber applications.

## INTERNAL FINANCIAL CONTROL SYSTEM AND ITS ADEQUACY

Your Company has adequate internal financial control systems in all areas of operation. The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. The services of the internal and external auditors are utilised from time to time, as also the in–house expertise and resources. The Company continuously upgrades these systems in line with the best available practices.

Reports and deviations are regularly discussed with the Management Committee Members and actions are taken whenever necessary.

An Independent Audit Committee of the Board reviews the adequacy of the internal financial control.

## INFORMATION TECHNOLOGY

Phillips Carbon Black Limited with its internal IT team, supported by IT partners & OEMs, has driven several new IT initiatives, to support the business in line with the business strategy of the organization. During the process, there was no reporting of business or financial loss in the organization due to IT; no cyber-crime related incident or legal issue was detected. A Disaster Recovery setup for a periodic DR Drill regarding the most critical data of SAP ERP PRODUCTION System functions effectively; compliance to SAP Surround System License was ensured by rolling out PI/ PO Setup; Data Integrity was improved by providing all MIS reports to the users through SAP-linked Portal.

The SAP ERP has been enhanced technically to ECC 6.0/ EHP 7.0 towards better compatibility to next higher version readiness. The Weigh-Bridges in Plants have been integrated with SAP to pick up data automatically, thus eliminating weight related human error during manual entry. To meet a special need of any important customer, Lot Number Implementation was done (the material has been produced under a Run number, which is different from the Batch number). The Asset Revaluation of Fixed Asset has been done in SAP under Companies Act 2013.

The Company has witnessed some major progress in way-forward strategic activities:

The Company is on the verge of migrating your existing ERP System to one of the global best-in-class & latest ERP, SAP S/4 HANA (a combination of both OLAP & OLTP), creating a base towards real-time business analytics and MIS for improved decision-making, thus creating efficiencies for our customers.

The Company is moving towards cloud based robust IT setup with disaster-recovery system. We are de-risking the business continuity with near-100% availability of our core data. We are also computing resources to stakeholders, apart from ability to scale up fast in sync with business growth and demand. Data and Network security enhancements are part of our continuous improvement activities. This will mitigate the business-continuity risks, the on-premise critical ERP servers will be discarded and new ERP will be rolled out from Cloud of one of the best-in-class global cloud partner.

The Company is also pondering upon the future requirements of App and Mobility. A robust MDM platform is being rolled out in a phased manner to contain official confidential data.

A clear digital strategy has been adopted by the leadership team of PCBL, which is focussed on the next few years and is based upon the latest technologies, which are impacting businesses. The Cloud architecture and S4 HANA lays the foundation for the same.

## ENVIRONMENT, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY

In accordance with the Company's CSR Policy of 'preserving and enriching the environment where we do business', we have been implementing several CSR projects in the areas of education, environment sustainability, health and community development to support and facilitate the development of the underprivileged section of the society in and around our manufacturing units.

In terms of environment sustainability, the Company has installed a facility for rain water harvesting from the existing building roof to reduce raw water consumption. PCBL also contributed towards the cleaning of ponds and rivers near its manufacturing units. Sapling plantation is our continuous drive to develop green belts inside and outside the factory premises. The Company has also spearheaded the recycling of waste water in its factories, thus making them zero discharge facilities.

Each factory also focuses on driving safe workplace initiatives, which has resulted in zero fatal accidents at the Company's plants.

In the Health and Community Development space, PCBL constructed individual household toilets under the Swachch Bharat Abhiyaan campaign, provided fodder for cattle in the nearby villages and gave medical aids (which involves diagnosis and consultation) to the local community. PCBL also contributed to the Chief Minister Relief Fund. In the Education segment, the Company has conducted computer literacy programmes, facilitated tuitions and distributed school aid materials and uniforms to the community children.

## HUMAN RESOURCE DEVELOPMENT

Your Company's envisioning journey that had started way back in 2014 is founded upon the five pillars of people philosophy–Leadership, Culture, Capabilities, Demography and Rewards–and that drives PCBL's people initiatives.

PCBL is focusing on the Leadership pillar by strengthening the Performance Management system (PMS), which is based on the B2MOM (Big Idea, Business Theme, Methods, Obstacle and Measures) concept. The B2MOM-driven PMS process empowers managers to drive team performance and team development and drive coaching as an inherent trait of a leader, and builds leaders' ownership on reward decisions. In line with this philosophy, the senior leadership team attended a workshop 'Crafting the leadership strategy' facilitated by the Managing Director.

The capability-building initiatives introduced this year across the Company included Virtual Gurukul (an online training platform), Embark PCBLite (an e-induction module for newly joined employees) and Pragati (a workshop to align the mindset of the employees across the organisation hierarchy towards the Company's business). The first batch (2017-18) of the Certified General Management Programme, a 15-month course in association with International Management Institute, Kolkata for high-potential employees, has been successfully completed and will now witness closure with the graduation ceremony on 11th May 2018.

To drive the culture of transparency and imbibe an 'inclusive' value in the workplace, PCBL's communication platform Sampark Live (a real-time a video-based platform) plays a critical role. The whole organisation witnesses PCBL Leader's views and thoughts on a real-time basis. PCBL Leaders drive the culture of customer centricity and build a global mindset through this platform. It also serves as a platform where employees can give feedback, interact with the leaders and seek clarification. Other communication initiatives include We@PCBL (the audio-visual magazine), Brown Bag (open panel discussion) and social media postings.

Your Company's Industrial Relations (IR) continues to be harmonious. Not a single man-day was lost in this financial year.

On 31st March 2018, there were 915 permanent employees on the rolls of the Company.

## CAUTIONARY STATEMENT

The financial statements appearing above are in conformity with the accounting principles generally accepted in India. The statements in the Management Discussion and Analysis Report, which may be considered 'forward-looking statements', within the meaning of applicable laws and regulations, have been based upon the current expectations and projection about future events. The actual results could differ from those expressed or implied. Important factors that could influence the Company's operations include Global Geopolitical Shifts, economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as industrial relations. The management cannot, however, guarantee that these forward-looking statements will be realised or achieved.

# ANNEXURE B TO THE BOARD'S REPORT

## FORM NO. MGT- 9

**EXTRACT OF ANNUAL RETURN**
**As on the financial year ended on 31.03.2018**
**[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

## I. REGISTRATION AND OTHER DETAILS:

i) **CIN** : L23109WB1960PLC024602

ii) **Registration Date**: 31/03/1960

iii) **Name of the Company**: Phillips Carbon Black Limited

iv) **Category / Sub-Category of the Company**: Public Company / Limited by shares

v) **Address of the Registered office and contact details**:
Duncan House, 3rd Floor, 31, Netaji Subhas Road, Kolkata – 700001,
Telephone No. – 033-66251461-1464, Fax : 033 2248 0140
E-mail : **pcbl@rp-sg.in**

vi) **Whether listed company** : Yes

vii) **Name, Address and Contact details of Registrar and Share Transfer Agent, if any**: Link Intime India Pvt. Ltd

**Address of Registered Office:-**
C-101, 247 Park,
L.B.S. Marg, Vikhroli (West), Mumbai – 400 083
Contact Details:- 022-49186270, Fax No: 022-49186060
Website: **www.linkintime.co.in**

**Address of Branch Office:-**
59 – C, Chowringhee Road, 3rd Floor, Room No. - 5
Kolkata - 700020
Contact Details:- 033 – 22890540/22890539
E-mail: **kolkata@linkintime.co.in**
Website: **www.linkintime.co.in**

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total Turnover of the company |
|---|---|---|---|
| 1 | Manufacturing of Carbon Black | 1920 | 97% |

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

| SL No. | NAME AND ADDRESS OF THE COMPANY | CIN/GLN | HOLDING/ SUBSIDIARY/ ASSOCIATE | % of shares held | Applicable Section |
|---|---|---|---|---|---|
| 1 | Phillips Carbon Black Cyprus Holdings Limited, 15 Demetriou Karatasou Street, Anastasio Building, 6th Floor, Office / Flat 601, 2024, Stovolos, Nicosia, Cyprus | N.A | Wholly Owned Subsidiary Company | 100% | 2(87) |
| 2 | PCBL Netherlands Holdings B.V., WTC Amsterdam, Tower C-11, Strawinskylaan 1143, 1077 XX, Amsterdam, Netherlands | N.A | Wholly Owned Subsidiary of Phillips Carbon Black Cyprus Holdings Limited | 100% | 2(87) |
| **3** | Phillips Carbon Black Vietnam Joint Stock Company, Lot No. – 04, My Xuan – A – Industrial Zone, Tan Thanh District, Ba-Ria Vung Tan Province, Vietnam | N.A | Subsidiary Company of PCBL Netherlands Holdings B.V. | 80% | 2(87) |

## IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY) [AS PER RECORDS WITH THE REGISTRAR]

### i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year ( as on 01.04.2017) | | | | No. of Shares held at the end of the year ( as on 31.03.2018) | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A. PROMOTERS** | | | | | | | | | |
| **1 ) Indian** | | | | | | | | | |
| a.) Individual / HUF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b.) Central Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c.) State Govt.(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d.) Bodies Corp. | 18,461,557 | 0 | 18,461,557 | 53.562 | 18,461,557 | 0 | 18,461,557 | 53.562 | 0 |
| e.) Bank / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f.) Any Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-total (A) (1)** | **18,461,557** | **0** | **18,461,557** | **53.562** | **18,461,557** | **0** | **18,461,557** | **53.562** | **0** |
| **2) Foreign** | | | | | | | | | |
| a.) NRIs – Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b.) Others- Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c.) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d.) Banks/ FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e.) Any Other.... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub- total ( A) (2)** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Total shareholding of Promoter (A)= A(1)+(A)(2)** | **18,461,557** | **0** | **18,461,557** | **53.562** | **18,461,557** | **0** | **18,461,557** | **53.562** | **0** |
| **B. PUBLIC SHAREHOLDING** | | | | | | | | | |
| **1. Institutions** | | | | | | | | | |
| a) Mutual Funds | 308109 | 1602 | 309711 | 0.8986 | 904085 | 1602 | 905687 | 2.6276 | +1.729 |
| b) Banks /FI | 155954 | 1352 | 157306 | 0.4564 | 135959 | 1331 | 137290 | 0.3983 | -0.0581 |
| c) Central Govt./State Govt(s) | 467900 | 0 | 467900 | 1.3575 | 467900 | 0 | 467900 | 1.3575 | 0 |
| d) Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f) Foreign Institutional Investors | 2821883 | 0 | 2821883 | 8.1871 | 3784437 | 0 | 3784437 | 10.9797 | +2.7926 |
| g) Foreign Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| h) Others (specify) | | | | | | | | | |
| Alternate Investment Funds | 0 | 0 | 0 | 0 | 10800 | 0 | 10800 | 0.0313 | +0.0313 |
| **Sub-total (B)(1)** | **3753846** | **2954** | **3756800** | **10.8995** | **5303181** | **2933** | **5306114** | **15.3945** | **+4.495** |
| **2. Non- Institutions** | 0 | | | | | | | | |
| **a) Bodies Corp.** | | | | | | | | | |
| i. Indian | 2727651 | 8075 | 2735726 | 7.9371 | 2236383 | 8096 | 2244479 | 6.5119 | -1.4252 |
| ii. Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **b) Individuals** | | | | | | | | | |
| i.) Individuals shareholders holdings nominal share capital up to ₹ 1 Lakhs | 5398856 | 753649 | 6152505 | 17.8501 | 5799073 | 732741 | 6531814 | 18.9506 | +1.1005 |
| ii.) Individuals shareholders holdings nominal share capital in excess of ₹ 1 Lakhs | 2441936 | 0 | 2441936 | 7.0847 | 909393 | 0 | 909393 | 2.6384 | -4.4463 |
| **c) Others (Specify) :-** | | | | | | | | | |
| i) Clearing Member | 232993 | 0 | 232993 | 0.6760 | 368704 | 0 | 368704 | 1.0697 | +0.3937 |
| ii) Non Resident Indians (Repat) | 158070 | 62712 | 220782 | 0.6405 | 189545 | 62313 | 251858 | 0.7307 | +0.0902 |
| iii) Non Resident Indians (Non-Repat) | 73406 | 0 | 73406 | 0.2130 | 93689 | 0 | 93689 | 0.2718 | +0.0588 |
| iv) Hindu Undivided Family (HUFs) | 378967 | 0 | 378967 | 1.0995 | 294489 | 0 | 294489 | 0.8544 | -0.2451 |

| Category of Shareholders | No. of Shares held at the beginning of the year ( as on 01.04.2017) | | | | No. of Shares held at the end of the year ( as on 31.03.2018) | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| v) Trusts | 11200 | 0 | 11200 | 0.0325 | 5475 | 0 | 5475 | 0.0159 | -0.0166 |
| vi) Foreign Nationals | 1700 | 0 | 1700 | 0.0049 | 0 | 0 | 0 | 0 | -0.0049 |
| **Sub-total (B)(2)** | **11424779** | **824436** | **12249215** | **35.5384** | **9896751** | **803150** | **10699901** | **31.0434** | **-4.495** |
| **Total Public Shareholdings (B) =(B)(1)+(B)(2)** | **15178625** | **827390** | **16006015** | **46.4379** | **10699901** | **5306114** | **16006015** | **31.0434** | **-15.3945** |
| **C. Share held by Custodian for GDRs & ADRs** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Grand Total (A+B+C)** | **33640182** | **827390** | **34467572** | **100** | **29161458** | **5306114** | **34467572** | **100** | **0** |

## (ii) Shareholding of Promoters:-

| SL No. | Shareholder's Name | Shareholding at the beginning of the year (as on 01.04.2017) | | | Shareholding at the end of the year( as on 31.03.2018) | | | %change in Shares holding during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total Shares of the company | % of Shares Pledged/ encumber red to total shares | No. of shares | % of total Shares of the company | % of Shares Pledged/ encumber red to total shares | |
| 1 | Rainbow Investments Limited | 17303074 | 50.201 | 0 | 17303074 | 50.201 | 0 | 0 |
| 2 | Dotex Merchandise Private Limited | 1068000 | 3.099 | 0 | 1068000 | 3.099 | 0 | 0 |
| 3 | STEL Holdings Limited | 90383 | 0.262 | 0 | 90,383 | 0.262 | 0 | 0 |
| 4 | Saregama India Limited | 100 | 0.000 | 0 | 100 | 0.000 | 0 | 0 |
| | **Total :** | **18,461,557** | **53.562** | **0** | **18,461,557** | **53.562** | **0** | **0** |

## (iii) Change in Promoter's Shareholding

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) | | Transactions during the year | | Cumulative Shareholding at the end of the year (As on 31.03.2018) | |
|---|---|---|---|---|---|---|---|
| | | NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | DATE OF TRANSACTION | NO. OF SHARES | NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
| 1 | **RAINBOW INVESTMENTS LIMITED** | | | | | | |
| | **At the beginning of the year** | **17303074** | **50.2010** | | | | |
| | Increase / Decrease in Shareholding during the year | | | - | - | | |
| | **At the end of the year** | | | | | **17303074** | **50.2010** |
| 2 | **DOTEX MERCHANDISE PRIVATE LIMITED** | | | | | | |
| | **At the beginning of the year** | **1068000** | **3.0986** | | | | |
| | Increase / Decrease in Shareholding during the year | | | - | - | | |
| | **At the end of the year** | | | | | **1068000** | **3.0986** |
| 3 | **STEL HOLDINGS LIMITED** | | | | | | |
| | **At the beginning of the year** | **90383** | **0.2622** | | | | |
| | Increase / Decrease in Shareholding during the year | | | - | - | | |

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) | | Transactions during the year | | Cumulative Shareholding at the end of the year (As on 31.03.2018) | |
|---|---|---|---|---|---|---|---|
| | | NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | DATE OF TRANSACTION | NO. OF SHARES | NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
| | **At the end of the year** | | | | | **90383** | **0.2622** |
| 4 | **SAREGAMA INDIA LIMITED** | | | | | | |
| | **At the beginning of the year** | **100** | **0.0003** | | | | |
| | Increase / Decrease in Shareholding during the year | | | - | - | | |
| | **At the end of the year** | | | | | **100** | **0.0003** |

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) | | Transactions during the year | | Cumulative Shareholding at the end of the year (As on 31.03.2018) | |
|---|---|---|---|---|---|---|---|
| | | NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | DATE OF TRANSACTION | NO. OF SHARES | NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
| 1 | **BNK CAPITAL MARKETS LTD.** | **730400** | **2.1191** | | | **730400** | **2.1191** |
| | Purchase | | | 16 Mar 2018 | 3400 | 733800 | 2.1290 |
| | **AT THE END OF THE YEAR** | | | | | **733800** | **2.1290** |
| 2 | **THE WELLINGTON TRUST COMPANY NATIONAL ASSOCIATION MULTIPLE COMMON TRUST FUNDS TRUST EMERGING MARKETS LOCAL EQUITY PORTFOLIO *** | **0** | **0.0000** | | | **0** | **0.0000** |
| | Purchase | | | 25 Aug 2017 | 19141 | 19141 | 0.0555 |
| | Purchase | | | 01 Sep 2017 | 155021 | 174162 | 0.5053 |
| | Purchase | | | 08 Sep 2017 | 284604 | 458766 | 1.3310 |
| | Purchase | | | 29 Sep 2017 | 72640 | 531406 | 1.5418 |
| | Purchase | | | 24 Nov 2017 | 11700 | 543106 | 1.5757 |
| | Purchase | | | 12 Jan 2018 | 11121 | 554227 | 1.6080 |
| | Purchase | | | 09 Feb 2018 | 35279 | 589506 | 1.7103 |
| | Purchase | | | 16 Feb 2018 | 13821 | 603327 | 1.7504 |
| | Purchase | | | 23 Feb 2018 | 84325 | 687652 | 1.9951 |
| | Purchase | | | 02 Mar 2018 | 14949 | 702601 | 2.0384 |
| | **AT THE END OF THE YEAR** | | | | | **702601** | **2.0384** |
| 3 | **FIL INVESTMENTS (MAURITIUS) LTD *** | **0** | **0.0000** | | | **0** | **0.0000** |
| | Purchase | | | 16 Jun 2017 | 77368 | 77368 | 0.2245 |
| | Purchase | | | 23 Jun 2017 | 835090 | 912458 | 2.6473 |
| | Sale | | | 12 Jan 2018 | (232022) | 680436 | 1.9741 |
| | **AT THE END OF THE YEAR** | | | | | **680436** | **1.9741** |
| 4 | **KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION** | **467900** | **1.3575** | | | **467900** | **1.3575** |
| | **AT THE END OF THE YEAR** | | | | | **467900** | **1.3575** |
| 5 | **L AND T MUTUAL FUND TRUSTEE LTD-L AND T INDIA VALUE FUND *** | **0** | **0.0000** | | | **0** | **0.0000** |
| | Purchase | | | 06 Oct 2017 | 3500 | 3500 | 0.0102 |
| | Purchase | | | 13 Oct 2017 | 27800 | 31300 | 0.0908 |
| | Purchase | | | 27 Oct 2017 | 16000 | 47300 | 0.1372 |
| | Purchase | | | 24 Nov 2017 | 138668 | 185968 | 0.5395 |
| | Purchase | | | 01 Dec 2017 | 66047 | 252015 | 0.7312 |
| | Purchase | | | 08 Dec 2017 | 22655 | 274670 | 0.7969 |
| | Purchase | | | 02 Mar 2018 | 34175 | 308845 | 0.8960 |
| | Purchase | | | 31 Mar 2018 | 29379 | 338224 | 0.9813 |
| | **AT THE END OF THE YEAR** | | | | | **338224** | **0.9813** |
| 6 | **WELLINGTON MANAGEMENT FUNDS (IRELAND) PUBLIC LIMITED COMPANY - WELLINGTON EMERGING MARKETS LOCAL EQUITY FUND *** | **0** | **0.0000** | | | **0** | **0.0000** |
| | Purchase | | | 25 Aug 2017 | 9341 | 9341 | 0.0271 |

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | Transactions during the year DATE OF TRANSACTION | NO. OF SHARES | Cumulative Shareholding at the end of the year (As on 31.03.2018) NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
|---|---|---|---|---|---|---|---|
| | Purchase | | | 01 Sep 2017 | 76846 | 86187 | 0.2501 |
| | Purchase | | | 08 Sep 2017 | 140772 | 226959 | 0.6585 |
| | Sale | | | 22 Sep 2017 | (3681) | 223278 | 0.6478 |
| | Purchase | | | 29 Sep 2017 | 35990 | 259268 | 0.7522 |
| | Purchase | | | 09 Feb 2018 | 20353 | 279621 | 0.8113 |
| | Purchase | | | 16 Feb 2018 | 8858 | 288479 | 0.8370 |
| | Purchase | | | 23 Feb 2018 | 40436 | 328915 | 0.9543 |
| | Purchase | | | 02 Mar 2018 | 7169 | 336084 | 0.9751 |
| | **AT THE END OF THE YEAR** | | | | | **336084** | **0.9751** |
| 7 | **PRINCIPAL TRUSTEE COMPANY PVT LTD A/C PRINCIPAL MUTUAL FUND - PRINCIPAL GROWTH FUND** | **257109** | **0.7459** | | | **257109** | **0.7459** |
| | Purchase | | | 07 Apr 2017 | 10599 | 267708 | 0.7767 |
| | Sale | | | 14 Apr 2017 | (98175) | 169533 | 0.4919 |
| | Sale | | | 21 Apr 2017 | (81434) | 88099 | 0.2556 |
| | Sale | | | 28 Apr 2017 | (3000) | 85099 | 0.2469 |
| | Sale | | | 05 May 2017 | (6000) | 79099 | 0.2295 |
| | Purchase | | | 02 Jun 2017 | 78031 | 157130 | 0.4559 |
| | Purchase | | | 09 Jun 2017 | 195550 | 352680 | 1.0232 |
| | Sale | | | 23 Jun 2017 | (23600) | 329080 | 0.9548 |
| | Sale | | | 11 Aug 2017 | (900) | 328180 | 0.9521 |
| | Sale | | | 01 Sep 2017 | (20000) | 308180 | 0.8941 |
| | Sale | | | 22 Sep 2017 | (3000) | 305180 | 0.8854 |
| | Sale | | | 06 Oct 2017 | (3000) | 302180 | 0.8767 |
| | Purchase | | | 03 Nov 2017 | 30000 | 332180 | 0.9637 |
| | Purchase | | | 15 Dec 2017 | 95303 | 427483 | 1.2402 |
| | Purchase | | | 22 Dec 2017 | 697 | 428180 | 1.2423 |
| | Sale | | | 05 Jan 2018 | (7000) | 421180 | 1.2220 |
| | Sale | | | 26 Jan 2018 | (23000) | 398180 | 1.1552 |
| | Sale | | | 23 Feb 2018 | (48500) | 349680 | 1.0145 |
| | Sale | | | 02 Mar 2018 | (29100) | 320580 | 0.9301 |
| | **AT THE END OF THE YEAR** | | | | | 320580 | 0.9301 |
| 8 | **ACADIAN EMERGING MARKETS SMALL CAP EQUITY FUND LLC** | **290288** | **0.8422** | | | **290288** | **0.8422** |
| | **AT THE END OF THE YEAR** | | | | | **290288** | **0.8422** |
| 9 | **CHANDRA SINGH LODHA** | **303534** | **0.8806** | | | **303534** | **0.8806** |
| | Sale | | | 07 Apr 2017 | (8900) | 294634 | 0.8548 |
| | Sale | | | 14 Apr 2017 | (5600) | 289034 | 0.8386 |
| | Sale | | | 21 Apr 2017 | (3413) | 285621 | 0.8287 |
| | Sale | | | 28 Apr 2017 | (1250) | 284371 | 0.8250 |
| | Sale | | | 05 May 2017 | (35350) | 249021 | 0.7225 |
| | Sale | | | 12 May 2017 | (5400) | 243621 | 0.7068 |
| | Purchase | | | 19 May 2017 | 500 | 244121 | 0.7083 |
| | Purchase | | | 26 May 2017 | 1000 | 245121 | 0.7112 |
| | Purchase | | | 02 Jun 2017 | 25819 | 270940 | 0.7861 |
| | Sale | | | 09 Jun 2017 | (500) | 270440 | 0.7846 |
| | Sale | | | 16 Jun 2017 | (42800) | 227640 | 0.6604 |
| | Sale | | | 23 Jun 2017 | (5700) | 221940 | 0.6439 |
| | Sale | | | 30 Jun 2017 | (14400) | 207540 | 0.6021 |
| | Sale | | | 14 Jul 2017 | (889) | 206651 | 0.5996 |
| | Purchase | | | 21 Jul 2017 | 1900 | 208551 | 0.6051 |
| | Purchase | | | 28 Jul 2017 | 1000 | 209551 | 0.6080 |
| | Sale | | | 11 Aug 2017 | (200) | 209351 | 0.6074 |
| | Purchase | | | 18 Aug 2017 | 4000 | 213351 | 0.6190 |
| | Sale | | | 01 Sep 2017 | (400) | 212951 | 0.6178 |
| | Sale | | | 08 Sep 2017 | (4300) | 208651 | 0.6054 |
| | Sale | | | 15 Sep 2017 | (2300) | 206351 | 0.5987 |
| | Sale | | | 22 Sep 2017 | (3960) | 202391 | 0.5872 |
| | Sale | | | 29 Sep 2017 | (10000) | 192391 | 0.5582 |
| | Sale | | | 06 Oct 2017 | (33420) | 158971 | 0.4612 |

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) | | Transactions during the year | | Cumulative Shareholding at the end of the year (As on 31.03.2018) | |
|---|---|---|---|---|---|---|---|
| | | NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | DATE OF TRANSACTION | NO. OF SHARES | NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
| | Sale | | | 13 Oct 2017 | (3800) | 155171 | 0.4502 |
| | Purchase | | | 27 Oct 2017 | 4775 | 159946 | 0.4640 |
| | Purchase | | | 03 Nov 2017 | 1000 | 160946 | 0.4669 |
| | Sale | | | 10 Nov 2017 | (25200) | 135746 | 0.3938 |
| | Purchase | | | 17 Nov 2017 | 2319 | 138065 | 0.4006 |
| | Purchase | | | 24 Nov 2017 | 5455 | 143520 | 0.4164 |
| | Sale | | | 29 Dec 2017 | (2100) | 141420 | 0.4103 |
| | Sale | | | 05 Jan 2018 | (5600) | 135820 | 0.3941 |
| | Sale | | | 12 Jan 2018 | (9000) | 126820 | 0.3679 |
| | Purchase | | | 19 Jan 2018 | 1500 | 128320 | 0.3723 |
| | Purchase | | | 26 Jan 2018 | 2500 | 130820 | 0.3795 |
| | Purchase | | | 02 Feb 2018 | 7350 | 138170 | 0.4009 |
| | Purchase | | | 09 Feb 2018 | 12500 | 150670 | 0.4371 |
| | Purchase | | | 16 Feb 2018 | 4000 | 154670 | 0.4487 |
| | Purchase | | | 16 Mar 2018 | 22432 | 177102 | 0.5138 |
| | Purchase | | | 23 Mar 2018 | 1200 | 178302 | 0.5173 |
| | **AT THE END OF THE YEAR** | | | | | **178302** | **0.5173** |
| **10** | **GOLDMAN SACHS (SINGAPORE) PTE** | **334465** | **0.9704** | | | **334465** | **0.9704** |
| | Sale | | | 07 Apr 2017 | (1361) | 333104 | 0.9664 |
| | Purchase | | | 14 Apr 2017 | 4584 | 337688 | 0.9797 |
| | Purchase | | | 21 Apr 2017 | 5722 | 343410 | 0.9963 |
| | Sale | | | 28 Apr 2017 | (4425) | 338985 | 0.9835 |
| | Sale | | | 05 May 2017 | (25782) | 313203 | 0.9087 |
| | Sale | | | 12 May 2017 | (1252) | 311951 | 0.9051 |
| | Sale | | | 19 May 2017 | (26980) | 284971 | 0.8268 |
| | Purchase | | | 09 Jun 2017 | 18316 | 303287 | 0.8799 |
| | Purchase | | | 16 Jun 2017 | 366 | 303653 | 0.8810 |
| | Sale | | | 23 Jun 2017 | (6506) | 297147 | 0.8621 |
| | Sale | | | 30 Jun 2017 | (13292) | 283855 | 0.8235 |
| | Sale | | | 07 Jul 2017 | (22357) | 261498 | 0.7587 |
| | Sale | | | 14 Jul 2017 | (23004) | 238494 | 0.6919 |
| | Sale | | | 21 Jul 2017 | (50307) | 188187 | 0.5460 |
| | Sale | | | 28 Jul 2017 | (16067) | 172120 | 0.4994 |
| | Sale | | | 04 Aug 2017 | (39762) | 132358 | 0.3840 |
| | Sale | | | 11 Aug 2017 | (59228) | 73130 | 0.2122 |
| | Sale | | | 18 Aug 2017 | (29602) | 43528 | 0.1263 |
| | Sale | | | 25 Aug 2017 | (22070) | 21458 | 0.0623 |
| | Sale | | | 01 Sep 2017 | (12459) | 8999 | 0.0261 |
| | Sale | | | 08 Sep 2017 | (412) | 8587 | 0.0249 |
| | Sale | | | 15 Sep 2017 | (90) | 8497 | 0.0247 |
| | Purchase | | | 22 Sep 2017 | 1787 | 10284 | 0.0298 |
| | Purchase | | | 29 Sep 2017 | 12113 | 22397 | 0.0650 |
| | Sale | | | 20 Oct 2017 | (1436) | 20961 | 0.0608 |
| | Sale | | | 03 Nov 2017 | (96) | 20865 | 0.0605 |
| | Sale | | | 10 Nov 2017 | (2887) | 17978 | 0.0522 |
| | Sale | | | 17 Nov 2017 | (535) | 17443 | 0.0506 |
| | Sale | | | 24 Nov 2017 | (469) | 16974 | 0.0492 |
| | Purchase | | | 08 Dec 2017 | 4050 | 21024 | 0.0610 |
| | Purchase | | | 22 Dec 2017 | 1534 | 22558 | 0.0654 |
| | Purchase | | | 29 Dec 2017 | 1291 | 23849 | 0.0692 |
| | Sale | | | 05 Jan 2018 | (520) | 23329 | 0.0677 |
| | Purchase | | | 12 Jan 2018 | 12 | 23341 | 0.0677 |
| | Sale | | | 19 Jan 2018 | (1638) | 21703 | 0.0630 |
| | Sale | | | 26 Jan 2018 | (2382) | 19321 | 0.0561 |
| | Sale | | | 02 Feb 2018 | (8970) | 10351 | 0.0300 |
| | Purchase | | | 09 Feb 2018 | 106 | 10457 | 0.0303 |
| | Purchase | | | 09 Mar 2018 | 212 | 10669 | 0.0310 |
| | Purchase | | | 31 Mar 2018 | 598 | 11267 | 0.0327 |

| Sr No. | Name & Type of Transaction | Shareholding at the beginning of the year (As on 01.04.2017) NO.OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY | Transactions during the year DATE OF TRANSACTION | NO. OF SHARES | Cumulative Shareholding at the end of the year (As on 31.03.2018) NO OF SHARES HELD | % OF TOTAL SHARES OF THE COMPANY |
|---|---|---|---|---|---|---|---|
| | **AT THE END OF THE YEAR** | | | | | **11267** | **0.0327** |
| **11** | **ELARA GLOBAL FUNDS - ELARA EMERGING MARKETS FUND #** | **553961** | **1.6072** | | | **553961** | **1.6072** |
| | Sale | | | 07 Apr 2017 | (34000) | 519961 | 1.5086 |
| | Sale | | | 28 Apr 2017 | (63273) | 456688 | 1.3250 |
| | Sale | | | 05 May 2017 | (150000) | 306688 | 0.8898 |
| | Sale | | | 16 Jun 2017 | (306688) | 0 | 0.0000 |
| | **AT THE END OF THE YEAR** | | | | | **0** | **0.0000** |
| **12** | **VIMAL SAGARMAL JAIN #** | **324000** | **0.9400** | | | **324000** | **0.9400** |
| | Sale | | | 12 May 2017 | (40000) | 284000 | 0.8240 |
| | Sale | | | 19 May 2017 | (90150) | 193850 | 0.5624 |
| | Sale | | | 26 May 2017 | (5000) | 188850 | 0.5479 |
| | Sale | | | 09 Jun 2017 | (26800) | 162050 | 0.4702 |
| | Sale | | | 25 Aug 2017 | (162050) | 0 | 0.0000 |
| | **AT THE END OF THE YEAR** | | | | | **0** | **0.0000** |

* Not in the list of top 10 shareholders as on 01.04.2017. The same has been reflected above since the shareholder was one of the top 10 shareholders as on 31.03.2018.

# Ceased to be in the list of top 10 shareholders as on 31.03.2018. The same is reflected above, since the shareholder was one of the top 10 shareholders as on 01.04.2017.

### v) Shareholding of Directors and Key Managerial Personnel: NONE

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in ₹ Lakhs)

| | Secured Loans excluding deposit | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year** | | | | |
| i) Principal Amount | 38212.52 | 37700.85 | 0.00 | 75913.37 |
| ii) Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Interest accrued but not due | 0.00 | 0.00 | 0.00 | 92.30 |
| **Total (i+ii+iii)** | **38212.52** | **37700.85** | **0.00** | **76005.67** |
| **Change in indebtedness during the financial year** | | | | |
| • Addition | 674.50 | 0.00 | 0.00 | 674.50 |
| • Reduction | 0.00 | (4607.44) | 0.00 | (4607.44) |
| Interest accrued but not due | 0.00 | 0.00 | 0.00 | 155.04 |
| Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| **Net Change** | **674.50** | **(4607.44)** | **0.00** | **(3777.90)** |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 38887.02 | 33093.41 | 0.00 | 71980.43 |
| ii) Interest due but not paid | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Interest accrued but not due | 0.00 | 0.00 | 0.00 | 247.34 |
| **Total (i+ii+iii)** | **38887.02** | **33093.41** | **0.00** | **72227.77** |

## VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

### A. Remuneration to Managing Director, Whole-time Directors and / or Manager:

| Sl. No. | Particulars of Remuneration | Name of Managing Director | Total Amount (In ₹) |
|---|---|---|---|
| | | Kaushik Roy | |
| 1. | Gross Salary | | |
| | a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961 | 63916260 | 63916260 |
| | b) Value of perquisites u/s 17(2) Income tax Act, 1961 | 32400 | 32400 |
| | c) Profits in lieu of salary Under section 17(3) Income Tax Act, 1961 | 0 | 0 |
| 2 | Stock Option | 0 | 0 |
| 3. | Sweat Equity | 0 | 0 |
| 4. | Commission | 0 | 0 |

| Sl. No. | Particulars of Remuneration | Name of Managing Director Kaushik Roy | Total Amount (In ₹) |
|---|---|---|---|
| | - as % of profit<br>- others, specify.. | 0 | 0 |
| 5. | Others, please specify (Contribution to Provident Fund and Gratuity Fund) | 4830740 | 4830740 |
| | **Total (A)** | **68779400** | **68779400** |
| | Ceiling as per the Act | The remuneration is well within the limits prescribed under the Companies Act, 2013, read with the notification issued from time to time. | |

## B. Remuneration to other directors:

| SL No. | Particulars of Remuneration | Name of Directors | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | C.R. Paul[1] | O.P. Malhotra | K.S.B. Sanyal | Paras K Chowdhary | Pradip Roy | Kusum Dadoo | Sanjiv Goenka | Shashwat Goenka | Amount (in ₹) |
| 1 | **Independent Directors** | | | | | | | | | |
| | a) Fees for attending board committee meetings | 220000 | 305000 | 250000 | 230000 | 300000 | 150000 | 0 | 0 | 1455000 |
| | b) Commission | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) Others, please specify | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Total (1)** | **220000** | **305000** | **250000** | **230000** | **300000** | **150000** | **0** | **0** | **1455000** |
| 2 | **Other Non-Executive Directors** | | | | | | | | | |
| | a) Fees for attending board committee meetings | 0 | 0 | 0 | 0 | 0 | 0 | 200000 | 155000 | 355000 |
| | b) Commission | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) Others, please specify | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Total (2)** | **0** | **0** | **0** | **0** | **0** | **0** | **200000** | **155000** | **355000** |
| | **Total (B) = (1+2)** | **220000** | **305000** | **250000** | **230000** | **300000** | **150000** | **200000** | **155000** | **1810000** |
| | Total Managerial Remuneration | | | | | | | | | **1810000** |
| | Ceiling as per the Act – The remuneration is well within the limits prescribed under the Companies Act, 2013. | | | | | | | | | |

Note 1 : Mr. C R Paul has resigned from the Directorship of the Company w.e.f 20th April, 2018 due to his advancing age and declining health.

## C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | Total (in ₹) |
|---|---|---|---|---|---|
| | | CEO | Company Secretary (Kaushik Mukherjee) | Chief Financial Officer (Raj Kumar Gupta) | |
| 1 | Gross salary | Not Applicable | | | |
| | (a)Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961 | | 6003197 | 6833072 | 12836269 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | | 16500 | 10800 | 27300 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | 0 | 0 | 0 |
| 2 | Stock Option | | 0 | 0 | 0 |
| 3 | Sweat Equity | | 0 | 0 | 0 |
| 4 | Commission<br>– as % of profit<br>- others, specify ... | | 0 | 0 | 0 |
| 5 | Others, please specify ( Provident Fund and Gratuity ) | | 601804 | 458139 | 1059943 |
| | **Total:** | | **6621501** | **7302011** | **13923512** |

## VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES : NONE

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN :00074796)

Kolkata
4th May, 2018

# ANNEXURE C TO THE BOARD'S REPORT

**Statement in accordance with Section 134(3)(m) of the Companies Act,2013 read with Rule 8 of the Companies (Accounts )Rules, 2014 and forming part of the Boards' Report for the year ended 31st March,2018**

## 1.A. CONSERVATION OF ENERGY

**(a) Energy conservation measures taken:**

The process of manufacturing of Carbon Black results in generation of lean gases which have both sensible heat and calorific value. This heat energy is utilized in generation of power in extremely specialised and state of the art

> 30 MW Co- generation Power Plant at Durgapur,

> 24MW Co- generation Power Plant at Mundra,

> 12 MW Co - generation Power Plant at Palej and

> 10 MW Co-generation Power Plant at Kochi

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

-Excess heat generated during production is transferred in various heat exchangers like Waste Heat Boiler (WHB) for steam generation, in Air Pre-Heater (APH) and Oil Pre-Heater(OPH) for heating atmospheric air and Oil Feedstock which are used as input to Carbon Black manufacturing process and thereby improving the process efficiency.

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

-

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

Reflected in the improved financial performance of the Company.

**(d) Total energy consumption and energy consumption per unit of production**

As per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule thereto:

**FORM - A**

**Form for disclosure of particulars with respect to Conservation of Energy**

## A. POWER AND FUEL CONSUMPTION

| | Current year 31.03.2018 | Previous Year 31.03.2017 |
|---|---|---|
| A. Power and Fuel consumption | | |
| 1. Electricity | | |
| Purchased units (KWH) | 9422086 | 5366242 |
| (a) Total amount (₹ in lakhs) | 1,389 | 1,021 |
| Rate per unit (₹) | 14.75 | 19.02 |
| (b) Own generation | | |
| (i) Through diesel generators units (KWH) | - | - |
| Units per ltr. of diesel oil (KWH) | - | - |
| Cost per unit (₹) | - | - |
| (ii) Through steam/turbine generators units (KWH) | - | - |
| Units per ltr. of fuel/gas oil (KWH) | - | - |
| Cost per unit (₹) | - | - |
| (iii) Through co-gen power plants | | |
| (off-gas burning) units (KWH) | 177853819 | 178505423 |
| Units per ltr. of fuel oil (KWH) | 401 | 721 |
| Cost per unit (₹) | 0.10 | 0.05 |
| 2. Coal (specify quality and where used) | | |
| Quantity (tonnes) | - | - |
| Total Cost (₹ in lakhs) | - | - |
| Average rate (₹) | - | - |
| 3. Furnace Oil | - | - |
| Quantity (K.ltr) | - | - |
| Total Cost (₹ in lakhs) | - | - |
| Average rate (₹) | - | - |
| 4. Others/internal generation (process steam) | | |
| Quantity (MT) | 20,53,711 | 21,88,401 |
| Total Cost (₹ in lakhs) | 220.90 | 201.49 |
| Average rate( ₹) | 10.76 | 9.21 |
| 5. Consumption per unit of production | | |
| CARBON BLACK: | | |
| i) Electricity (KWH/MT) | 349 | 336 |
| ii) Furnace Oil (Ltr./MT) | - | - |
| iii) Coal | - | - |
| iv) Others-process steam (MT/MT) | 5.14 | 5.71 |

## B. TECHNOLOGY ABSORPTION:

(a) Efforts made in technology absorption as per Form-B of the Annexure is given hereto:

**Form - B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION:**

### RESEARCH & DEVELOPMENT (R&D)

**1. Specific areas in which R&D carried out by the Company:**

> Development of more new grades of Specialty black for international and domestic markets

> Improvement of product characteristics to meet more stringent customer specifications

> Joint development projects with Strategic Business Partners for New Carbon Black grade development

> NABL accreditation (Certificate no. TC-5367) to QC and R&D Laboratory of Palej for Chemical and Mechanical Testing

**2. Technical Services (TS)**

> Capturing Specific Requirements of new Customers and new requirements of existing Customers and guiding Plant Manufacturing team to meet this requiement by modification of product characteristics and process parameters

> Continual recasting of Standard Operating Procedures for manufacturing efficiency improvement

> Technical support to customer at various levels of product development and in processing

> Aligning the Manufacturing processes with International Safety, Health and Environmental requirements

**3. Process Technology (PT)**

> Reactor design and operating conditions suitably modified to match international benchmarks

> Reactor design optimisation using state of the art software modules

> Computerized Fluid Dynamic (CFD) simulations were carried out for optimizing design and operating parameters of existing and new process equipment

> Developing processes to reduce defects and to reduce the cost of poor quality

**4. Benefits derived as a result of the above R&D, TS and PT :**

> Improved sales in domestic and international market and entry into niche markets

> Higher price realisation in markets

> Customised grade development aligned with strategic partner's R&D projects for more business share

> Improved equipment life and reliability

> Quality consistency and improvement

> Improved manufacturing efficiency and reduced costs

> Gaining trust and confidence of Customers on PCBL

**5. Future Plan of Action:**

> Development of more specialised rubber grades for specific applications in niche market.

> Improvement of product portfolio by developing new grades for non rubber applications

> Further improvement in processes for higher yield and better quality.

> More focus on customised grade development aligning strategic business partners' manufacturing and product requirements

> Enhancement of R&D laboratory facilities for new product and customer development

> Debottlenecking of various processes and equipments

> Increased technical expertise to support customers and market development.

> Leveraging external R & D resources for Basic Research

> Patent application for new product / process technologies

**6. Expenditure on R & D :**

(Amount in ₹ Lakhs)

| | | Current year | Previous Year |
|---|---|---|---|
| (a) | Capital | 0 | 0 |
| (b) | Recurring | 901.18 | 480.26 |
| (c) | Total | 901.18 | 480.26 |
| (d) | Total R&D Expenditure as a percentage of total expenditure | 0.39 | 0.24 |

**Technology absorption, adaptation & innovation:**

1. Efforts in brief towards technology absorption, adaptation & innovation:

   > The revision in Standard Operating Procedures resulted in improved yields.

2. Benefits derived as a result of the above efforts:

   > Improved quality of the product

3. Particulars of Imported Technology in the last 5 years:

   **(a) Technology Imported :**

   Not applicable

   **(b) Year of Import** :

   Not applicable

   **(c) Has the technology been fully absorbed?**

   Not applicable

   **(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action. :**

   Not applicable

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

**(a) Activities relating to exports, initiatives taken to increase exports,development of new export markets for products and services and export plans:**
Various initiatives relating to improvement in quality and service , developing new markets , etc have resulted in exports of ₹ 59739.68 lakhs.

**(b) Total foreign exchange used and earned:**

(Amount in ₹ Lakhs)

| | Current year | Previous Year |
|---|---|---|
| Foreign Exchange used | 129253.85 | 122312.92 |
| Foreign Exchange earned | 55771.95 | 45330.59 |

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN 00074796)

Kolkata
4th May, 2018

# ANNEXURE D TO THE BOARD'S REPORT

## REPORT ON CORPORATE SOCIAL RESPOSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2017-2018

**[Pursuant to Section 135 of the Companies Act, 2013 & Rules made thereunder]**

### 1. A BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMS PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB-LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMS:

In accordance with the provisions of Companies Act, 2013 and the rules made thereunder, the Company has framed its CSR Policy to carry out its CSR activities in accordance with Schedule VII of the Act. The Company has been undertaking community oriented programmes for inclusive development of the deprived sections of the population. The Company's focus areas are concentrated on increasing access to health, education, environment sustainability, community development and holistic development with a focus on underprivileged people living around its manufacturing units and other establishments. The Company wishes to formalize and institutionalize its efforts made in the domain of Corporate Social Responsibility and this Policy shall serve as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the Policy. This Policy shall apply to all CSR initiatives and activities taken up by the Company for the benefit of different sections of the society. The Company's CSR policy is placed on its website and the web-link for the same is **http://www.pcblltd.com/investorrelations/policy/CSR_Policy.pdf**.

### 2. THE COMPOSITION OF THE CSR COMMITTEE:

The Composition of the CSR Committee of the Board is as follows:-

| | |
|---|---|
| Mr. K S B Sanyal | Chairman |
| Mr. Kaushik Roy | Member |
| Mr. Shashwat Goenka | Member |

### 3. AVERAGE NET PROFIT OF THE COMPANY FOR LAST THREE FINANCIAL YEARS:

The average net profit of the Company for the last three financial years is ₹ 79.53 crores.

### 4. PRESCRIBED CSR EXPENDITURE (TWO PERCENT OF THE AMOUNT AS IN ITEM 3 ABOVE):

The prescribed CSR expenditure @ 2% of the average net profit for the last three financial years, as mentioned above, is ₹ 1.59 crores.

### 5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR:

(a) Total amount to be spent for the financial year 2017-2018: ₹ 1.59 crores

(b) Amount unspent, if any: Nil

(c) Manner in which the amount spent during the financial year is detailed below:

| (1) Sl No. | (2) CSR Project or Activity identified | (3) Sector in which the Project is covered | (4) Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | (5) Amount Outlay (Budget) Project or Programs wise (Amt. In ₹) | (6) Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (Amt in ₹) | (7) Cumulative expenditure up to the reporting period (Amt in ₹) | (8) Amount spent: Direct or through implementing agency (Amt in ₹) |
|---|---|---|---|---|---|---|---|
| 1. | Infrastructure and playground development work at school | Promoting Education | Brahmapuram P.O., Karimugal, Kochi - 682303 | 3,38,000 | 3,37,592 (Direct) | 3,37,592 | Direct |
| 2. | Computer Training imparted to the under privileged students | Promoting Education | 27, R.N. Mukherjee Road, Durgapur - 713201 | 1,25,000 | 1,22,318 (Direct) | 1,22,318 | Direct |
| 3. | Donation towards Food distribution and organizing cultural activities at the under privileged schools | Promoting Education | National Highway No.- 8, Palej – 392220, Dist. – Bharuch | 1,12,500 | 1,11,314 (Direct) | 1,11,314 | Direct |

| (1) SI No. | (2) CSR Project or Activity identified | (3) Sector in which the Project is covered | (4) Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | (5) Amount Outlay (Budget) Project or Programs wise (Amt. In ₹) | (6) Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (Amt in ₹) | (7) Cumulative expenditure up to the reporting period (Amt in ₹) | (8) Amount spent: Direct or through implementing agency (Amt in ₹) |
|---|---|---|---|---|---|---|---|
| 4. | Amount paid towards cleaning of the river Kadamprayar | Safe Drinking Water and Sanitation Projects | Brahmapuram P.O., Karimugal, Kochi – 682303 | 1,61,500 | 1,60,000 (Direct) | 1,60,000 | Direct |
| 5. | Amount paid towards cleaning of the Panchayat pond and organic fertilizer | Safe Drinking Water and Sanitation Projects | Brahmapuram P.O., Karimugal, Kochi – 682303 | 32,000 | 31,000 (Direct) | 31,000 | Direct |
| 6. | Amount paid towards construction of toilet | Safe Drinking Water and Sanitation Projects | Survey No. – 47, SH-46, Vill. Mokha (Near Vadala), Mundra – 370421, Dist. – Kutch, Gujarat | 1,97,000 | 1,96,515 (Direct) | 1,96,515 | Direct |
| 7. | Amount paid towards cow fodder and grass supply | Environment Sustainability | Survey No. – 47, SH-46, Vill. Mokha (Near Vadala), Mundra – 370421, Dist. – Kutch, Gujarat | 16,47,500 | 16,46,993 (Direct) | 16,46,993 | Direct |
| 8. | Amount paid towards providing polio to the children of villages | Preventive Healthcare | Survey No. – 47, SH-46, Vill. Mokha (Near Vadala), Mundra – 370421, Dist. – Kutch, Gujarat | 1,86,500 | 1,85,602 (Direct) | 1,85,602 | Direct |
| 9. | Amount paid towards infrastructural development of hospitals | Preventive Healthcare | National Highway No.- 8, Palej – 392220, Dist. – Bharuch | 2,51,500 | 2,50,000 (Direct) | 2,50,000 | Direct |
| 10. | Amount paid as financial assistance for social projects undertaken in the downtrodden areas for the purpose of socio-economic development | Community Development | Brahmapuram P.O., Karimugal, Kochi – 682303 | 5,04,500 | 5,03,880 (Direct) | 5,03,880 | Direct |
| 11. | Amount paid to Chief Minister's Relief Fund as contribution towards the flood at Gujarat | Community Development | Survey No. – 47, SH-46, Vill. Mokha (Near Vadala), Mundra – 370421, Dist. – Kutch, Gujarat | 1,01,750 | 1,00,000 (Direct) | 1,00,000 | Direct |

| (1) SI No. | (2) CSR Project or Activity identified | (3) Sector in which the Project is covered | (4) Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | (5) Amount Outlay (Budget) Project or Programs wise (Amt. In ₹) | (6) Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (Amt in ₹) | (7) Cumulative expenditure up to the reporting period (Amt in ₹) | (8) Amount spent: Direct or through implementing agency (Amt in ₹) |
|---|---|---|---|---|---|---|---|
| 12. | Setting up of an Institution of Excellence | Sector Permitted by Schedule VII to the Companies Act, 2013 | Kolkata, West Bengal | 1,16,00,000 | 1,16,00,000 | 1,16,00,000 | RP-Sanjiv Goenka Group CSR Trust |
| 13. | Amount paid to AITUC, Janakiya Samiti and CPIM Party Fund as contribution towards the social development activities in and around the areas for the purpose of socio-economic development | Community Development | Brahmapuram P.O., Karimugal, Kochi – 682303 | 1,44,500 | 1,43,603 (Direct) | 1,43,603 | Direct |
| 14. | Amount paid towards construction of temples and distribution of food to the poor | Community Development | 27, R.N. Mukherjee Road, Durgapur - 713201 | 7,08,750 | 7,07,443 (Direct) | 7,07,443 | Direct |
| | **Total** | | | | | **1,60,96,260** | |

## 6. IN CASE THE COMPANY HAS FAILED TO SPEND THE TWO PER CENT, OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF, THE COMPANY SHALL PROVIDE THE REASONS FOR NOT SPENDING THE AMOUNT IN ITS BOARDS' REPORT:

Not Applicable.

## 7. A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY, IS IN COMPLIANCE WITH CSR OBJECTIVES AND POLICY OF THE COMPANY:

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR Objectives and Policy of the Company.

Sd/-

Kaushik Roy
Managing Director
(DIN : 06513489)

Sd/-

K.S.B. Sanyal
Chairman of the CSR Committee
(DIN : 00009497)

Kolkata
4th May, 2018

# ANNEXURE E TO THE BOARD'S REPORT

**DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

(1) The ratio of the remuneration (including sitting fees) of the Directors – Mr. Kaushik Roy, Mr. Sanjiv Goenka, Mr. Shashwat Goenka, Mr. C R Paul, Mr. O P Malhotra, Mr. K S B Sanyal, Mr. Paras K Chowdhary, Mr. Pradip Roy and Ms. Kusum Dadoo to the median remuneration of employees of the Company for the financial year 2017-18 is 121.66 : 1 , 0.34 :1 , 0.26 : 1, 0.38 : 1, 0.52 : 1 , 0.43 : 1, 0.39 : 1 , 0.51 : 1 and 0.26 : 1 and the percentage increase/ decrease in their remuneration during the said financial year is 40.63%, (33.33%), (56.33%), (55.10%), (36.45%), (16.66%), (42.5%), (33.33%) and (59.45%) respectively. The increase in remuneration of the Chief Financial Officer (CFO) and the Company Secretary and Chief Legal Officer during the said financial year was 31.73 % and 46.80 % respectively. During the said financial year, there was an increase of 12.6 % in the median remuneration of employees on the rolls as at 31st March, 2018.There were 915 permanent employees on the rolls of Company as on 31st March, 2018.

(2) During the financial year 2017-18, the average increase in the remuneration was 11 %.

(3) The average % increase in the salaries of the employees on roll as at 31.03.2018 other than the managerial personnel was 11% in 2017-18 whereas the increase in the managerial remuneration for the same financial year was 18%.

(4) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN 00074796)

Kolkata
4th May, 2018

# ANNEXURE F TO THE BOARD'S REPORT

## SECRETARIAL AUDIT REPORT

**Form No. MR - 3**

**FOR THE FINANCIAL YEAR ENDED ON 31st March, 2018**

**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To,
The Members,
M/s. Phillips Carbon Black Limited
31, Netaji Subhas Road,
Kolkata – 700 001

1. We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Phillips Carbon Black Limited (hereinafter called 'the Company') during the financial year ended 31st March, 2018. Secretarial Audit was conducted on test check basis, in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

2. On the basis of aforesaid verification of the secretarial compliance and on the basis of secretarial audit of Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, as shown to us during the said audit and also based on the information provided by the Company, its officers, agents and authorized representatives during the conduct of the aforesaid secretarial audit, we hereby report that in our opinion and to the best of our understanding, the Company has, during the audit period covering the financial year ended on 31st March, 2018, complied with the statutory provisions listed hereunder and the Company also has adequate Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

3. We further report that compliance with applicable laws is the responsibility of the Company and our report constitutes an independent opinion. Our report is neither an assurance for future viability of the Company nor a confirmation of efficient management by the Company.

4. (I) We have examined the secretarial compliance based on the books, papers, minute books, forms and returns filed and other records maintained by M/s. Phillips Carbon Black Limited for the financial year ended on 31st March, 2018, according to the provisions of the following laws and as shown to us during our audit, as also referred in above paragraphs of this report;

   (i) The Companies Act, 2013 (the Act) and the rules made thereunder;

   (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

   (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

   (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings to the extent applicable to the Company;

   (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz. :-

      a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
      b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
      c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:
      d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, to the extent as applicable:
      e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

   (II) We have also examined the secretarial compliance on test check basis of the books, papers, forms and returns, if any, filed and other records maintained by M/s. Phillips Carbon Black Limited for the financial year ended on 31st March, 2018, according to the provisions of the following laws specifically applicable to the Company and as represented to us during our audit, as also referred in above paragraphs of this report;

      a) Petroleum Act, 1934.
      b) The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016.
      c) The Water (Prevention and Control of Pollution) Act, 1974.
      d) The Air (Prevention and Control of Pollution) Act, 1981.
      e) The Environment (Protection) Act, 1986.
      f) The Electricity Act, 2003.
      g) The Indian Boilers Act, 1923.

5. We have also examined compliance with the applicable clauses of the following:

   a) Secretarial Standards issued by The Institute of Company Secretaries of India under Section 118 of the Companies Act, 2013.

6. That on the basis of the audit as referred above, to the best of our knowledge, understanding and belief, we are of the

view that during the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above in Paragraph 4(I), Paragraph 4(II) and Paragraph 5 of this Report.

7. We have checked the compliance with the provisions of the Standard Listing Agreement entered by the Company with the following Stock Exchanges in India and also with the provisions of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to the extent applicable, during the period under review and to the best of our knowledge, belief and understanding, we are of the view that the Company has complied with the secretarial functions and board processes to comply with the applicable provision thereof, during the aforesaid period under review.

   (i) National Stock Exchange of India Limited (NSE);

   (ii) Bombay Stock Exchange Limited (BSE); and

   (iii) Calcutta Stock Exchange Limited (CSE)

8. We further report to the best of our understanding that,

   a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There has been no change in the composition of the Board of Directors of the Company during the period under review.

   b) Adequate notices were given to all Directors for the Board and Committee Meetings. Agenda and notes on agenda were sent in advance and further information and clarifications on the agenda items were provided for meaningful participation at the meeting.

   c) All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors and Committee of the Board, as the case may be.

9. We further report that there are adequate systems and processes in the Company, commensurate with the size and operations of the Company, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines generally applicable to the company such as laws related to taxation, local laws applicable to the area of operation of business and other laws generally applicable to company.

This report is to be read with our letter of even date which is annexed as '**Annexure A'** and forms an integral part of this Report.

For, ANJAN KUMAR ROY & CO.
Company Secretaries

ANJAN KUMAR ROY
Proprietor
FCS No. 5684
CP. No. 4557

Kolkata
4th May, 2018

## 'ANNEXURE A' TO THE SECRETARIAL AUDIT REPORT

**(Of M/s. Phillips Carbon Black Limited for the Financial Year ended 31/03/2018)**

**To,**
**The Members,**
**M/s. Phillips Carbon Black Limited**
**31, Netaji Subhas Road,**
**Kolkata – 700 001**

Our Secretarial Audit Report for the financial year ended 31/03/2018 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on existence of adequate board process and compliance management system, commensurate to the size of the company, based on these secretarial records as shown to us during the said audit and also based on the information furnished to us by the officers and agents of the Company during the said audit.

2. We have followed the audit practices and processes as were appropriate, to the best of our understanding, to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of accounts of the company.

4. Where ever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of compliance procedures on test basis. We would not be liable for any business decision or any consequences arising thereof, made on the basis of our report.

6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness or accuracy with which the management has conducted the affairs of the Company.

For, ANJAN KUMAR ROY & CO.
Company Secretaries

ANJAN KUMAR ROY
Proprietor
FCS No. 5684
CP. No. 4557

Kolkata
4th May, 2018

# REPORT ON CORPORATE GOVERNANCE

## I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Corporate Governance framework of the Company 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. The Company strongly believes in ensuring and implementing good Corporate Governance across the entire organization with a view to sustain and improve, with each passing day, the Company's efficiency, effectiveness and social responsibility. The basic philosophy of Corporate Governance in our organization emphasizes on highest levels of transparency, accountability, awareness and equity in all respect of its operations. As a listed company, we are in compliance with the applicable provisions of the Listing Regulations pertaining to Corporate Governance, including the appointment of the Independent Directors and constitution of Committees. The Board of Directors function 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. Our continuous endeavour aims at designing and improving the flow of activities in an effective manner and ensuring economic prosperity and long term value creation for the enterprise as well as the stakeholders. The Company has a strong legacy of fair, transparent and ethical governance practices.

The Company is fully in compliance with the requirements specified in Regulation 17 to 27 and Clauses (b) to (i) of Sub-regulation (2) of Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (referred to as "Listing Regulations").

## II. THE BOARD OF DIRECTORS

### A. COMPOSITION AND CATEGORY OF DIRECTORS

The Board of Directors of the Company (referred to as "The Board") is entrusted with the implementation of the activities of the Company in an effective and efficient manner as well as it is bestowed with the ultimate responsibility of the Management.

The Board of the Company consists of a mix of Executive as well as Non-Executive Directors with a woman director present on its Board. The Independent Directors form a majority in the Board.

### B. TERMS OF REFERENCE

The composition of the Board satisfies the requirements of Regulation 17 of the SEBI Listing Regulations read with Schedule II Part A and Section 149 of the Companies Act, 2013 as amended by the Companies (Amendment) Act, 2017 ("the Act").

### C. COMPOSITION OF THE BOARD OF DIRECTORS OF THE COMPANY AS ON 31ST MARCH, 2018

The Board comprises:-

> 2 Non-Executive Promoter Directors

> 1 Executive Director, who is the Managing Director of the Company

> 6 Non-Executive Independent Directors

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

| Name of the Director | Category of Director | No. of other Directorships and Committee Memberships / Chairmanships in other public limited companies incorporated in India No. of | | | No. of Shares and Convertible instruments held in the Company |
|---|---|---|---|---|---|
| | | Director[2] | Member[3] | Chairman[3] | |
| Mr. Sanjiv Goenka | Promoter, Non -Executive (Chairman) | 6 | 1 | 2 | NIL |
| Mr. Shashwat Goenka | Promoter, Non -Executive | 2 | 0 | 0 | NIL |
| Mr. C.R. Paul[1] | Non -Executive & Independent | 0 | 0 | 0 | NIL |
| Mr. O.P. Malhotra | Non -Executive & Independent | 0 | 0 | 0 | NIL |
| Mr. K.S.B.Sanyal | Non -Executive & Independent | 3 | 1 | 2 | NIL |
| Mr. Paras K.Chowdhary | Non –Executive & Independent | 3 | 1 | 1 | NIL |
| Mr. Pradip Roy | Non -Executive & Independent | 7 | 5 | 1 | NIL |
| Ms. Kusum Dadoo | Non -Executive & Independent | 3 | 1 | 0 | NIL |
| Mr. Kaushik Roy | Managing Director | 3 | 0 | 0 | NIL |

“Corporate Governance is embedded in our Corporate Culture.”

**Notes:**

1. Mr. C R Paul has resigned from the Directorship with effect from 20th April, 2018 due to his advancing age and declining health. The Board has placed on record its deep appreciation for the invaluable support and guidance received from Mr. C R Paul during his long association since 1989 as a Non-Executive Independent Director of the Company.

2. Directorships held by Directors in the afore-mentioned Table do not include Private Limited Companies, Foreign Companies, Section 8 Companies, Alternate Directorships and One Person Companies. All the Public Limited Companies, whether listed or not, have been considered in the afore-mentioned Table.

3. Memberships / Chairmanships of only the Audit Committee and the Stakeholders' Relationship Committee of the public limited companies, whether listed or not, have been considered. All other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 have been excluded.

4. None of the Directors are related to each other, except for Mr. Sanjiv Goenka and Mr. Shashwat Goenka.

5. The Independent Directors have confirmed that they meet the criteria of independence u/s 149(6) of the Act and the Listing Regulations.

6. The Company has proper systems to enable the Board of Directors to periodically review the compliance reports of all laws applicable to the Company.

7. During the year 2017-2018, information as mentioned in Schedule II Part A of the SEBI Listing Regulations has been placed before the Board for its consideration.

8. The Company has in place, plans for orderly succession for appointment to the Board of Directors and Senior Management.

9. The Company also, has in place, procedures to inform Members of the Board of Directors about the risk assessment and minimization.

## D. BOARD MEETINGS:-

The Board generally meets at least 4 times a year, with 1 meeting being held in every quarter. The intervening period between two Board Meetings is well within the maximum time gap of one hundred and twenty days as prescribed under the SEBI Listing Regulations. This financial year 2017-2018 witnessed four Board Meetings. The Board Meeting dates are fixed well in advance and necessary intimations and disclosures take place. The notice of the Board meeting is given well in advance to all the Directors. The Agenda of the Board / Committee Meetings is set up by the Company Secretary in consultation with the Chairman and the Managing Director of the Company and includes detailed notes on the items to be discussed at the meeting to enable the Directors to take an informed decision. The Agenda for the Board and Committee Meeting cover items set out as per the guidelines in Listing Regulations to the extent it is relevant and applicable.

## E. BOARD AGENDA AND CIRCULATION:-

Keeping in view the underlying objective of the Company to impart and enhance the implementation of Green Initiatives across the organisation and with a view to leverage technology and reduce paper consumption, the Company has adopted a practice of making electronic presentation of the Agendas of Board Meeting and other Committee Meetings in the form of a power point presentation. The Agenda Papers are mailed to all the Directors well in advance. However, as and when requests are received from Directors, the Agenda Papers are also circulated in hard copies well before the Board Meeting and other Committee Meetings.

## F. DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2017-2018:-

The Board of Directors met four times during the financial year ended 31st March, 2018, details of which are depicted below:-

| Sl No. | Date | Board Strength | No. of Directors present |
|---|---|---|---|
| 1 | 25th May, 2017 | 9 | 9 |
| 2 | 10th August, 2017 | 9 | 8 |
| 3 | 24th October, 2017 | 9 | 7 |
| 4 | 31st January, 2018 | 9 | 7 |

### Attendance at Board Meetings and at Annual General Meetings held during the Financial Year 2017-2018:-

The Attendance Record of the Directors at the Board Meetings held on 25th May, 2017, 10th August, 2017, 24th October, 2017 and 31st January, 2018 are captured herein below:-

| Name of the Director | Board Meetings | | Attendance at the last Annual General Meeting |
|---|---|---|---|
| | Held during tenure | Attended | |
| Mr. Sanjiv Goenka | 4 | 4 | Yes |
| Mr. Shashwat Goenka | 4 | 3 | Yes |
| Mr. C.R. Paul | 4 | 3 | Yes |
| Mr. O.P.Malhotra | 4 | 4 | Yes |
| Mr. K.S.B.Sanyal | 4 | 3 | No |
| Mr. Paras K.Chowdhary | 4 | 3 | No |
| Mr. Pradip Roy | 4 | 4 | Yes |
| Ms. Kusum Dadoo | 4 | 3 | Yes |
| Mr. Kaushik Roy | 4 | 4 | Yes |

## G. COMPLIANCE WITH THE CODE OF CONDUCT

The Company has adopted the "Code of Conduct for Board Members and Senior Management Personnel". The Code of Conduct contains the duties of the Independent Directors as laid down in the Companies Act, 2013. The Code is available on the website of the Company at **www.pcblltd.com.**

All the Directors including the Chairman, the Managing Director and the Senior Management Personnel of the Company have given a Declaration of Compliance with the Company's Code of Conduct during the year ended 31st March, 2018.

## III. COMMITTEES OF THE BOARD

The Board has currently established the following Statutory & Non Statutory Committees. The Board Committes plays a crucial role in the Governance Structure of the Company and have constituted to deal with specific areas / activities which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board to carry clearly defined roles which are considered to be performed by the Members of the Board, as part of Good Corporate Governance practice. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The Chairman of the respective Committees inform the Board about the summary of the discussion held in the Committee Meetings. The Minutes of the Meeting of all the Committees are placed before the Board for review.

Currently, there are five Committees of the Board – the Audit Committee, the Nomination and Remuneration Committee, the Stakeholders Relationship Committee, the Corporate Social Responsibility Committee and the Independent Directors Committee. The terms of reference of these Committees are determined by the Board from time to time. The composition, name of members and attendance and the meetings of these Committees are enumerated below:

### A. AUDIT COMMITTEE

#### 1. Terms of Reference

The Company has an Audit Committee and the terms of reference are in conformity with the powers as stipulated in Regulation 18 read with Schedule II Part C of the SEBI Listing Regulations and Section 177 of the Act.

The role of the Audit Committee of the Company includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, appointment, remuneration and terms of appointment of the auditors.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements and Auditors report before submission to the Board for approval, with particular reference to :

   a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub- section 3 of Section 134 of the Act.

   b) Changes, if any, in accounting policies and practices and reasons for the same.

   c) Major accounting entries involving estimates based on the exercise of judgment by management.

   d) Significant adjustments made in the financial statements arising out of audit findings.

   e) Compliance with listing and other legal requirements relating to financial statements.

   f) Disclosure of any related party transactions.

   g) Qualifications in the draft audit report, if any.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors any significant findings and follow up thereon.

9. Investigating into any matter in relation to the items specified in the terms of reference and reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post –audit discussion to ascertain any area of concern.

11. Reviewing the Company's Risk Management Policies.

12. Valuation of undertakings or assets of the Company, wherever it is necessary.

13. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Auditors and the Key Managerial Personnel have a right to be heard in the meetings of the Audit Committee when it considers the Auditor's Report.

The Audit Committee is also empowered, pursuant to its terms of reference, to:

a) Investigate any activity within its terms of reference and to seek any information it requires from any employee.

b) Obtain professional advice from external sources to carry on any investigation and have full access to information contained in the records of the Company.

c) Discuss any related issues with the internal and statutory auditors and the management of the Company.

d) Review and monitor the auditor's independence and performance, and effectiveness of audit process.

e) Approve subsequent modification of transactions of the Company with related parties.

f) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

g) Scrutinize the inter-corporate loans and investments and evaluate internal financial controls and risk management systems.

h) Oversee the vigil mechanism/whistle blower policy of the Company.

i) Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc. of the candidate.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

> Management discussion and analysis of financial condition and results of operations.

> Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management.

> Management letters/letters of internal control weaknesses issued by the statutory auditors.

> Internal Audit Reports relating to internal control weaknesses.

> The appointment, removal and terms of remuneration of the Chief Internal Auditor.

Whenever applicable, monitoring end use of funds raised through public issues, right issues, preferential issues by major category (capital expenditure, sales and marketing, working capital etc.), shall form a part of the quarterly declaration of financial results.

In addition, the Audit Committee of the Board is also empowered to review the financial statements, in particular, the investments made by the unlisted subsidiary companies, in view of the requirements under Regulation 24 of the SEBI Listing Regulations. No person has been denied access to the Committee. The Minutes of the Meetings of the Board of Directors of the unlisted subsidiary companies are periodically placed before the meeting of the Audit Committee of the Board of Directors of the Company.

## 2. Composition of the Audit Committee as on 31st March, 2018:-

The Audit Committee comprises 5 Directors, all of whom are Non-Executive Independent Directors. The Members of the Audit Committee are Mr. C R Paul, Mr. O P Malhotra, Mr. K S B Sanyal, Mr. Paras K Chowdhary and Mr. Pradip Roy. The Chairman of the Audit Committee, Mr. K S B Sanyal, is a Non-Executive Independent Director.

## 3. Details of Audit Committee Meetings Held During The Financial Year 2017 – 2018 :-

The Audit Committee met 4 times during the financial year ended 31st March, 2018, details of which are depicted below:-

| Sl No. | Date | Committee Strength | No. of Members present |
|---|---|---|---|
| 1 | 25th May, 2017 | 5 | 5 |
| 2 | 10th August, 2017 | 5 | 4 |
| 3 | 24th October, 2017 | 5 | 4 |
| 4 | 31st January, 2018 | 5 | 4 |

Attendance at Audit Committee Meetings held during the Financial Year 2017 - 2018:-

The names of Members and Chairperson of the Audit Committee, Meetings held and attendance thereof during the Financial Year 2017 - 2018 is as given below:-

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

* Mr. C R Paul has resigned from the Directorship with effect from 20th April, 2018 due to his advancing age and declining health.

## 4. Meetings

> Audit Committee Meetings were held on 25th May, 2017, 10th August, 2017, 24th October, 2017 and 31st January, 2018 respectively. The intervening period between two Audit Committee Meetings is well within the maximum time gap of one hundred and twenty days as prescribed under the SEBI Listing Regulations. The necessary quorum was present for all the Meetings. The Annual Accounts for the year ended 31st March, 2017 was reviewed by the Audit Committee at its Meeting held on 25th May, 2017 and reviewed on

10th August, 2017 after giving effect to the merger of its wholly owned subsidiary, Goodluck Dealcom Private limited, pursuant to an Order dated 19th July, 2017 issued by the National Company Law Tribunal, Kolkata Bench, approving the Scheme of Amalgamation of Goodluck Dealcom Private Limited with Phillips Carbon Black Limited, effective from 1st April, 2016. The Audit Committee also reviewed the Unaudited Financial Results for the quarters ended 30th June, 2017, 30th September, 2017 and 31st December, 2017 before recommending their adoption to the Board.

> Mr. K S B Sanyal, Chairman of the Audit Committee authorised Mr. C R Paul, Member of the Audit Committee to represent him in the Annual General Meeting of the Company held on 21st September,2017.

> The Managing Director, Chief Financial Officer, Head of Internal Audit and the representatives of the Statutory and Cost Auditors of the Company are invited by the Audit Committee to its Meetings. The Auditors are heard in the Meetings of the Audit Committee when it considers the financial results of the Company and auditors' views thereon are taken into consideration.

> The Company Secretary acts as Secretary to the Audit Committee.

> All Members of the Audit Committee are eminent persons in their fields having expertise in Finance and Accounting.

## B. NOMINATION AND REMUNERATION COMMITTEE

### 1. Terms of Reference

The Company has a Nomination and Remuneration Committee and the terms of reference are in conformity with the provisions of Regulation 19 read with Schedule II Part D of the SEBI Listing Regulations and Section 178 of the Act.

The role of the Committee inter alia includes the following:

> Identify persons qualified to become Directors or hold senior management positions and advise the Board for such appointments/removals where necessary

> Formulate criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel and other employees

> Evaluate the performance of Independent Directors and the Board of Directors and to decide whether to continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors

> Devise a policy on Board diversity

In accordance with the recommendation of the Committee, the Company has since formulated a Remuneration Policy for Directors, Key Managerial Personnel and other employees of the Company. The Committee is responsible for recommending the fixation and periodic revision of remuneration of the Managing Director. The Committee also decides on payment of commission to Non-Executive Directors and other senior managerial personnel. The performance evaluation criteria for Non-Executive Directors including Independent Directors laid down by Committee and taken on record by the Board includes -

a. Attendance and participation in the Meetings.
b. Preparedness for the Meetings.
c. Understanding of the Company and the external environment in which it operates and contributes to strategic direction.
d. Raising of valid concerns to the Board and constructive contribution to issues and active participation at meetings.
e. Engaging with and challenging the management team without being confrontational or obstructionist.

The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation, the Directors who are subject to evaluation had not participated.

### 2. Composition of the Nomination and Remuneration Committee as on 31st March, 2018:-

The Nomination and Remuneration Committee comprises 3 Directors, all of whom are Non - Executive Independent Directors. The Members of the Nomination and Remuneration Committee are Mr. K S B Sanyal, Mr. C R Paul and Mr. O P Malhotra. The Chairman of the Nomination and Remuneration Committee, Mr. K S B Sanyal, is a Non-Executive Independent Director.

### 3. Details of Nomination and Remuneration Committee Meetings Held During the Financial Year 2017 – 2018 :-

The Nomination and Remuneration Committee met once during the financial year ended 31st March, 2018, details of which are depicted below:-

| SI No. | Date | Committee Strength | No. of Directors present |
|---|---|---|---|
| 4 | 10th August, 2017 | 3 | 3 |

**Attendance at Nomination and Remuneration Committee Meetings held during the Financial Year 2017 – 2018:-**

The names of Members and Chairperson of the Nomination and Remuneration Committee, Meetings held and attendance thereof during the Financial Year 2017 - 2018 is as given below:-

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

* Mr. C R Paul has resigned from the Directorship with effect from 20th April, 2018 due to his advancing age and declining health.

4. Meetings

> During the year ended 31st March, 2018, the Nomination and Remuneration Committee met once on 10th August, 2017.

Mr. K S B Sanyal, Chairman of the Nomination and Remuneration Committee authorised Mr. C R Paul, Member of the Nomination and Remuneration Committee to represent him in the Annual General Meeting of the Company held on 21st September, 2017.

> The Company Secretary is in attendance at the Nomination and Remuneration Committee Meetings.

> Mrs. Kusum Dadoo, a Non-Executive Independent Director has been inducted as a Member of the Nomination and Remuneration Committee w.e.f 4th May, 2018 by the Board of Directors at its Meeting held on 31st January, 2018.

5. Remuneration Policy

In compliance with the requirements of Companies Act, 2013 and Rules made thereunder and pursuant to Regulation 19 of the SEBI Listing Regulations read with Schedule II Part D to the said Regulations, the Board of Directors has a Nomination and Remuneration Policy for its Directors, Key Managerial Personnel, Functional Heads and other employees of the Company.

> Non – Executive Directors

The Non-Executive Directors are paid remuneration based on their contribution and current trends. The Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee decides the remuneration of the Non-Executive Directors.

The remuneration paid to the Non-Executive Directors by way of sitting fees is ₹ 50,000/- per Meeting for the Board Meetings, ₹ 20,000/- per Meeting for the Audit Committee and Independent Directors' Committee Meetings and ₹ 5000/- per Meeting for Stakeholders Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee Meetings.

**The details of the remuneration paid to the Non – Executive Directors have been enumerated below:-**

**I. DETAILS OF SITTING FEES/ REMUNERATION**

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

The sitting fees for the Board and the Committee Meetings and Commission paid to the Non-Executive Directors during the year ended 31st March, 2018 are as follows:-

Mr. Sanjiv Goenka – Sitting Fees ₹ 2,00,000/-, Mr. Shashwat Goenka – Sitting Fees ₹ 1,55,000/-, Mr. C R Paul – Sitting Fees ₹ 2,20,000/- , Mr. K S B Sanyal – Sitting Fees ₹ 2,50,000/- , Mr. O P Malhotra – Sitting Fees ₹ 3,05,000/-, Mr. Paras K Chowdhary – Sitting Fees ₹ 2,30,000/- , Mr. Pradip Roy – Sitting Fees ₹ 3,00,000/- and Ms. Kusum Dadoo - Sitting Fees ₹ 1,50,000/-.

No commission was paid to the Non- Executive Directors during the financial year ended 31st March, 2018. The Company also reimburses the out of pocket expenses incurred by the Directors for attending the Meetings.

> Executive Director

Payment of remuneration to the Managing Director, who is the Executive Director of the Company, is governed by the agreement executed between him and the Company and are also governed by the Board and Shareholders' resolutions. The remuneration structure comprises salary, variable pay, perquisites and allowances and retirement benefits in the forms of superannuation and gratuity. The Company does not have any Employee Stock Option Scheme.

| Executive Director | Business relationships with the Company, if any | All elements of remuneration package, i.e. salary, benefits, bonuses, pension etc. for the year ended 31st March, 2018 | |
|---|---|---|---|
| | | **Description** | **Amount (₹ in lakhs)** |
| Mr. Kaushik Roy * | Managing Director | Salary and Allowances, | 269.28 |
| | | Contribution to Provident, Gratuity and Superannuation Funds | 74.22 |
| | | Perquisites | 368.22 |
| | | **Total** | **711.72** |

* Service Contract: For a period of three years w.e.f 5th February, 2016
*Notice Period: Ninety days notice from either side
* Severance Fees: Ninety days salary in lieu of notice
* Stock Options: None

**C. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

1. Terms of Reference

The Company has a Stakeholders' Relationship Committee and the terms of reference of the Stakeholders' Relationship Committee are in conformity with the provisions of Regulation 20 read with Schedule II Part D of the SEBI Listing Regulations and Section 178 of the Act. The Stakeholders' Relationship Committee specifically looks into the redressal of grievances of shareholders and other security holders such as transfer/transmission of shares, issue of duplicate share certificates, recording dematerialization /rematerialisation of shares, non-receipt of Annual Report, non-receipt of declared dividends and other related matters.

2. Composition of the Stakeholders' Relationship Committee as on 31st March, 2018:-

The Stakeholders' Relationship Committee comprises 3 Directors, out of which 2 Directors are Non - Executive Independent Directors and 1 Director is an Executive Director of the Company. The Members of the Stakeholders' Relationship Committee are Mr. C R Paul, Mr. K S B Sanyal and Mr. Kaushik Roy. Under the Chairmanship of a Non-Executive Independent Director, Mr. C R Paul, the Stakeholders' Relationship Committee of the Board of Directors meets at regular intervals and specifically looks into redressal of grievances of the shareholders and other security holders.

3. Details of Stakeholders' Relationship Committee Meetings Held During the Financial Year 2017 - 2018:-

The Stakeholders Relationship Committee met two times during the financial year ended 31st March, 2018, details of which are depicted below:-

| Sl No. | Date | Committee Strength | No. of Members present |
|---|---|---|---|
| 1 | 10th August, 2017 | 2 | 2 |
| 4 | 31st January, 2018 | 3 | 2 |

**Attendance at Stakeholders' Relationship Committee Meetings held during the Financial Year 2017 -2018:-**

The names of Members and Chairperson of the Stakeholders Relationship Committee, Meetings held and attendance thereof during the Financial Year 2017 – 2018 is as given below:

| Name of the Director | Position held | No. of Committee Meetings | |
|---|---|---|---|
| | | Held during tenure | Attended |
| Mr. C.R. Paul# | Chairman | 2 | 1 |
| Mr. K.S.B.Sanyal$ | Member | 2 | 2 |
| Mr. Kaushik Roy* | Member | 1 | 1 |

*Mr. Kaushik Roy was inducted as a Member of the Stakeholders' Relationship Committee w.e.f. 31st January, 2018 by the Board of Directors at its Meeting held on 24th October, 2017.
#Mr. C R Paul has resigned from the Directorship with effect from 20th April, 2018 due to his advancing age and declining health.
$ Mr. K S B Sanyal was appointed as the Chairman of the Stakeholders' Relationship Committee by the Board of Directors at its Meeting held on 4th May, 2018 w.e.f the forthcoming Committee Meeting.

**Name and designation of Compliance Officer:** Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer.

**Name and designation of the Nodal Officer for IEPF related matters:** Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer.

4. Meetings

> During the year ended 31st March, 2018, the Stakeholders' Relationship Committee met twice on 10th August, 2017 and 31st January, 2018.

> The Company Secretary is in attendance at the Stakeholders' Relationship Committee Meetings.

> The Company has a User ID and Password in place for logging into the SEBI Complaints Redressal System – 'SCORES' and can view the complaints which have been lodged by the shareholders. The Company ensures that timely redressals are made against any complaints raised by the shareholders relating to registration of share transfers, issue of new share certificates, sub-division or consolidation of shareholdings etc.

5. Status of Shareholders' Complaints

| Number of complaints received during the year ended 31st March, 2018 as per records of the Company | Number of complaints resolved during the year ended 31st March, 2018 | Number of complaints pending as on 31st March, 2018 |
|---|---|---|
| 7 | 7 | Nil |

* The Company has received confirmations from National Stock Exchange of India Limited, Bombay Stock Exchange Limited, The Calcutta Stock Exchange Ltd. and from our Registrar Link Intime India Pvt. Ltd. that no investor complaints are pending against the company as on 31st March, 2018.

6. Share Transfer

Mr. Kaushik Roy, Managing Director, Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer and Mr. Raj Kumar Gupta, Chief Financial Officer be and are severally authorized to approve share transfers in physical mode.

## D. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

1. Terms of Reference

The Board of Directors of the Company has a Corporate Social Responsibility Committee and the terms of reference are in conformity with the provisions of Section 135 read with Schedule VII of the Act and the Rules framed thereunder. The CSR Committee monitors the implementation of CSR projects or programmes undertaken by the Company.

The role of the Committee inter alia includes the following:-

> Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act.

> Recommend the amount of expenditure to be incurred on the activities referred to in the above point.

` > Monitor the Corporate Social Responsibility Policy of the Company from time to time.

2 Composition of the Corporate Social Responsibility Committee as on 31st March, 2018:-

The Corporate Social Responsibility Committee presently comprises 3 Directors out of which 1 is a Non - Executive Independent Director, 1 is a Non-Executive Director and 1 is an Executive Director. The Members of the Corporate Social Responsibility Committee are Mr. K S B Sanyal, Mr. Shashwat Goenka and Mr. Kaushik Roy. The Chairman of the Corporate Social Responsibility Committee is Mr. K S B Sanyal, a Non-Executive Independent Director.

3. Details of Corporate Social Responsibility Committee Meetings Held During the Financial Year 2017 - 2018:-

The Corporate Social Responsibility Committee met once during the financial year ended 31st March, 2018, details of which are depicted below:-

| Sl No. | Date | Committee Strength | No. of Members present |
|---|---|---|---|
| 1 | 31st January, 2018 | 3 | 3 |

**Attendance at Corporate Social Responsibility Committee Meetings held during the Financial Year 2017 – 2018:-**

The names of Members and Chairperson of the Corporate Social Responsibility Committee, Meetings held and attendance thereof during the Financial Year 2017 – 2018 is as given below:-

| Name of the Director | Position held | No. of Committee Meetings Held during tenure | No. of Committee Meetings Attended |
|---|---|---|---|
| Mr. K.S.B.Sanyal (Non-Executive & Independent) | Chairman | 1 | 1 |
| Mr. Shashwat Goenka (Non-Executive) | Member | 1 | 1 |
| Mr. Kaushik Roy (Managing Director) | Member | 1 | 1 |

4. Meetings

> Corporate Social Responsibility Committee Meeting was held on 31st January, 2018.

> The Company Secretary acts as a Secretary to the Corporate Social Responsibility Committee.

> The Corporate Social Responsibility Policy of the Company is posted on the website of the Company at the link: **http://pcblltd.com/investorrelations/investorrelations.php**

> The details of CSR expenditure spent during the financial year 2017-18 have been elaborated in 'Annexure – D' to the Boards' Report

## E. INDEPENDENT DIRECTORS' COMMITTEE

1. Terms of Reference

The Board of Directors of the Company has an Independent Directors' Committee and the terms of reference are in conformity with the provisions of Section 149 read with Schedule IV to the Act and the Rules framed thereunder. The statutory role of the Independent Directors' Committee of the Board of Directors is encapsulated below:-

a.) To review the performance of Non-Independent Directors and the Board as a whole;

b.) To review the performance of the Chairperson of the Company, taking into account the views of the Executive and Non-Executive Directors;

c.) To assess the quality, quantity and timeliness of flow of information between the Company management and Board that is necessary for the Board to effectively and reasonably perform their duties

The policy on the familiarization programmes imparted to the Independent Directors is posted on the website of the Company and may be accessed at the link: **http://pcblltd.com/investorrelations/investorrelations.php.**

2. Composition of the Independent Directors' Committee as on 31st March, 2018

The Independent Directors' Committee comprises all 6 Independent Directors. The Members of the Independent Directors' Committee are Mr. K S B Sanyal, Mr. C R Paul, Mr. O P Malhotra, Mr. Paras K Chowdhary, Mr. Pradip Roy and Ms. Kusum Dadoo. The Chairman of the Committee is Mr. K S B Sanyal, a Non-Executive Independent Director.

3. Details of Independent Directors' Committee Meetings Held During the Financial Year 2017-2018 :-

The Independent Directors' Committee met once during the financial year ended 31st January, 2018, details of which are depicted below:-

| Sl No. | Date | Committee Strength | No. of Members present |
|---|---|---|---|
| 1 | $31^{st}$ January, 2018 | 6 | 4 |

**Attendance at Independent Directors' Committee Meetings held during the Financial Year 2017- 2018:-**

The names of Members and Chairperson of the Independent Directors' Committee, Meetings held and attendance thereof during the Financial Year 2017 – 2018 is as given below:-

| Name of the Director | Position held | No. of Committee Meetings Held during tenure | No. of Committee Meetings Attended |
|---|---|---|---|
| Mr. K.S.B.Sanyal (Non-Executive & Independent) | Chairman | 1 | 1 |
| Mr. C R Paul * (Non-Executive & Independent) | Member | 1 | 0 |
| Mr. O P Malhotra (Non-Executive & Independent) | Member | 1 | 1 |
| Mr. Paras K Chowdhary (Non-Executive & Independent) | Member | 1 | 1 |
| Mr. Pradip Roy (Non-Executive & Independent) | Member | 1 | 1 |
| Ms. Kusum Dadoo (Non-Executive & Independent) | Member | 1 | 0 |

* Mr. C R Paul has resigned from the Directorship with effect from 20th April, 2018 due to his advancing age and declining health.

The details of the familiarisation programme for Independent Directors have already been dealt with earlier in this Report.

## IV. SUBSIDIARY COMPANIES

The Company has 3 subsidiaries as on date, namely, Phillips Carbon Black Cyprus Holdings Limited, PCBL Netherlands Holdings B.V. and Phillips Carbon Black Vietnam Joint Stock Company. The Minutes of Meetings of the Board of Directors of the unlisted subsidiary companies are placed before the Meetings of the Board of Directors of the Company.

## V. GENERAL BODY MEETINGS

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

| AGM | Date | Venue | Time | Special Resolution Passed |
|---|---|---|---|---|
| 56th | 21st September, 2017 | "Dr. R P Goenka Auditorium", IMI | 10.30 AM | Yes |
| 55th | 22nd July, 2016 | "Uttam Mancha" | 10.30 A.M | Yes |
| 54th | 31st July, 2015 | "Uttam Mancha" | 10.30 A.M | Yes |

2. **Details of Special Resolutions passed last year through Postal ballot :-**
The Shareholders had passed the following Resolutions as Special Resolutions:

i. Sub – division of 1 Equity Share of the Face value of ₹ 10/- per share, fully paid up, to 5 Equity shares of Face value of ₹ 2/- per share, fully paid up

ii. Alteration of the Capital Clause (Clause V) in the Memorandum of Association

iii. Alteration of the Capital Clause (Article 4 ) of the Articles of Association

iv. Approval for raising of funds by further issue of securities by way of Preferential Issue/ Qualified Institutions Placement/ Foreign Currency Convertible Bonds/ Foreign Currency Exchangeable Bonds/ American Depository Receipts/ Global Depository Receipts/ Public Issue/ Rights Issue/ Debt Issue for an aggregate amount not exceeding ₹ 500 Crore

Notices of Postal Ballot and e-Voting were sent through permitted modes to all the Members of the Company along with the Postal Ballot Forms and self – addressed postage prepaid business reply envelopes. The voting period for Postal Ballot and E-voting was from 3rd March, 2018 to 2nd April, 2018. Mr. Anjan Kumar Roy (FCS – 5684, CP – 4557), Practising Company Secretary, was appointed as the Scrutinizer to conduct the entire Postal Ballot and E-voting processes.

These proposed Resolutions were passed with requisite majority and the Voting Results were declared on Tuesday, 3rd April, 2018 and intimated to the Stock Exchanges pursuant to Regulation 44(3) of the SEBI Listing Regulations as well as displayed on the Company's website at the link - **http://pcblltd.com/investorrelations/investorrelations.php**.

3. Disclosure regarding appointment or re-appointment of Directors in accordance with Regulation 36(3) of the SEBI Listing Regulations has been provided in the Notice convening the Annual General Meeting of the Company.

## VI. DISCLOSURES

1. **Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large :**
No such transactions took place during the year ended 31st March, 2018. The Board has approved a policy on materiality of related party transactions and on dealing with related parties and the same is posted on the Company's website at the following link: **http://pcblltd.com/investorrelations/investorrelations.php**

2. **Disclosure by Senior Management in accordance with Regulation 26(5) of the SEBI Listing Regulations:**
For the financial year ended 31st March, 2018 the Senior Management Personnel of the Company has confirmed to the Board of Directors that they do not have any personal interest relating to material, financial and commercial transactions entered into with the Company that may have a potential conflict with the interests of the Company at large.

3. **Disclosures on Compliance of Law :**
The Company has complied with the mandatory requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. No penalties or strictures were imposed by SEBI, Stock Exchanges, or any statutory authorities on any matter related to capital markets during the last three years.

4. **Vigil Mechanism / Whistle Blower Policy:**
The Company has a Whistle Blower Policy / Vigil Mechanism which is posted on the website of the Company at the link: **http://pcblltd.com/investorrelations/investorrelations.php** for its Directors and employees to report their concerns about the Company's working or about any violation of its policies. The vigil mechanism provides for adequate safeguards against victimization of Director (s) or Employee (s) or any other person who avail the mechanism and also provide direct access to the Chairperson of the Audit Committee. No personnel have been denied any access to the Audit Committee.

5. **Code for Prevention of Insider Trading Practices**
In compliance with the SEBI Regulation on Prohibition of Insider Trading, the Company has in place a comprehensive code of conduct for its Directors and Senior Management Officers. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with the shares of the Company. The code clearly specifies, among other matters, that Directors and specified employees of the Company can trade in the shares of the Company only during 'Trading Window Open Period'. The trading window is closed during the time of declaration of results, dividend and other material events, as per the Code and the same is posted on the website of the Company at the link: **http://pcblltd.com/investorrelations/investorrelations.php.**

Mr. Kaushik Mukherjee, Company Secretary & Chief Legal Officer, is the Compliance Officer who also acts as the Chief Investor Relations Officer.

6. **Details of compliance with mandatory requirements and adoption of non mandatory requirements**
All mandatory requirements have been complied with and the non-mandatory requirements are dealt with at the end of the Report.

7. **Policy for determining 'material' subsidiaries**
The Company has adopted Policy for determining 'material' subsidiaries and the same is posted on the Company's website at the following link: **http://pcblltd.com/investorrelations/investorrelations.php.**

**8. Commodity price risk or foreign exchange risk and hedging activities**

The foreign exchange exposure during FY 2017 -2018 was hedged in accordance with the policy.

**9. Certificate from the Managing Director and the Chief Financial Officer**

Certificate from Mr. Kaushik Roy, Managing Director and Mr. Raj Kumar Gupta, Chief Financial Officer, in terms of Regulation 17(8) of the SEBI Listing Regulations for the financial year ended 31st March, 2018 was placed before the Board of Directors of the Company in its Meeting held on 4th May, 2018.

**10. Code of Conduct**

A Code of Business Conduct and Ethics for Members of the Board and Senior Management Personnel which suitably incorporates the duties of Independent Directors as laid down in the Companies Act, 2013, has been adopted by the Board, to bring it in line with the SEBI Listing Regulations. The Code of Conduct for Board Members and Senior Management Personnel of the Company is posted on the Company's website at the following link: **http://pcblltd.com/investorrelations/investorrelations.php**

All Board Members and Senior Management Personnel have affirmed compliance with the Code on an annual basis. A declaration to this effect signed by the Managing Director in terms of SEBI Listing Regulations forms a part of this Annual Report.

**11. Declaration by Independent Directors under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations**

During the financial year ended 31st March, 2018, the Company received declarations in terms of the provisions of Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations from the following Independent Directors namely, Mr. K S B Sanyal, Mr. C R Paul, Mr. O P Malhotra, Mr. Paras K Chowdhary, Mr. Pradip Roy and Ms. Kusum Dadoo.

**12. Sexual Harassment Policy**

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 covering all employees of the Company. Internal Complaints Committee set up for the purpose did not receive any complaints for redressal during the year.

**13. Dividend Distribution Policy**

` The Company has formulated a Dividend Distribution Policy in accordance with Regulation 43A of the SEBI Listing Regulations. The policy has been detailed in the Boards' Report and is posted on the Company's website at the following link: **http://pcblltd.com/investorrelations/investorrelations.php**

## VII. MEANS OF COMMUNICATION

1. The quarterly results of the Company were announced within due time as per the statutory requirements and were sent to the Stock Exchanges. These results were also published in the leading English newspapers, such as Business Standard, Economic Times, Times of India and in Bengali newspapers in Ei Samay (Kolkata) and Aajkal (Kolkata).

2. The results are also posted on the Company's website: **www.pcblltd.com.**

3. Whenever the Company issues any press release, it is immediately sent to the Stock Exchanges as well as posted on the Company's website. The Company also puts forth the key information about the Company and its performance, including quarterly results, official news releases and presentations made to institutional investors or analysts, on its website – **www.pcblltd.com** regularly for the benefit of its shareholders and the public at large. The intimations are also given to the Stock Exchanges simultaneously.

4. This Annual Report has a detailed chapter on Management Discussion and Analysis.

## VIII. GENERAL SHAREHOLDER INFORMATION

Provided in the 'General Shareholder Information' section of the Annual Report and Accounts

## IX. STATUS OF ADOPTION OF THE NON MANDATORY REQUIREMENTS

The Company has duly fulfilled the following discretionary requirements as prescribed in sub – regulation 1 of Regulation 27 of the SEBI Listing regulations as follows:

a. **Separate posts of Chairperson and Chief Executive Officer:** Mr. Sanjiv Goenka is the Chairman of the Company and Mr. Kaushik Roy is the Managing Director of the Company.

b. **Reporting of Internal Auditor:** Internal Auditors of the Company make presentations to the Audit Committee on their reports and has direct access to the Audit Committee.

**Other Items**

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

## X. CONFIRMATION OF COMPLIANCE

> The Statutory Auditors' Certificate states that the Company has complied with the conditions of Corporate Governance and the same is annexed hereto.

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN 00074796)

Kolkata
4th May, 2018

# AUDITORS' CERTIFICATE

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

**Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

The Members of
Phillips Carbon Black Limited
31, Netaji Subhas Road
Kolkata – 700 001

1. The Corporate Governance Report prepared by Phillips Carbon Black Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2018. This report is required by the Company for annual submission to the Stock exchange and to be sent to the Shareholders of the Company.

### MANAGEMENT'S RESPONSIBILITY

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

### Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

   i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;

   ii. Obtained and verified that the composition of the Board of Directors w.r.t Executive and Non-Executive Directors has been met throughout the reporting period;

   iii. Obtained and read the Directors Register as on March 31, 2018 and verified that atleast one Women Director was on the Board during the year;

   iv. Obtained and read the minutes of the following Committee Meetings held April 1, 2017 to March 31, 2018

      (a) Board of Directors Meeting;

      (b) Audit committee;

      (c) Annual General Meeting;

      (d) Nomination and Remuneration Committee;

      (e) Stakeholders Relationship Committee;

      (f) Corporate Social Responsibility Committee

   v. Obtained necessary representations and declarations from directors of the Company including the independent Directors; and

   vi. Performed necessary inquiries with the management and also obtained necessary specific representations from Management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

**Opinion**

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31,2018 , referred to in paragraph 1above.

**Other matters and Restriction on Use**

9. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

10. This report is addressed to and provided to the Members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For M/s S R Batliboi & Co. LLP
Firm Registration Number 301003E/E300005
Chartered Accountants
Kamal Agarwal
Partner
Membership Number 058652

Kolkata
4th May, 2018

## GENERAL SHAREHOLDER INFORMATION

- **Date, Time and Venue:** 27th July, 2018 at 10.00 am to be held at Dr. R P Goenka Auditorium, International Management Institute, Kolkata , 2/4C, Judges Court Road, Alipore, Kolkata – 700027
- **Financial Year:** 1st April 2017 to 31st March, 2018
- **Book Closure:** 20th July, 2018 to 27th July, 2018
- **Interim Dividend Payment Date:** Interim Dividend has been declared by the Company at its Board Meeting held on 24th October, 2017 @ ₹ 6/- per equity share on the face value of ₹ 10/- per equity share. The said Interim Dividend was paid on and from 13th November, 2017.
- **Final Dividend Payment Date:** Final Dividend @ ₹ 1.20/- per equity share on the face value of ₹ 2/- per equity share, if declared, at the ensuing Annual General Meeting, will be paid on and from 31st July, 2018.
- **Listing on Stock Exchanges and Stock Codes:**
  a) The Calcutta Stock Exchange Ltd. 7, Lyons Range, Kolkata – 700001 - 10026125
  b) Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 - 506590 (B2)
  c) National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai – 400051 - PHILIPCARB

**Listing Fees for all the above Stock Exchanges for 2018 - 2019 have been paid.**

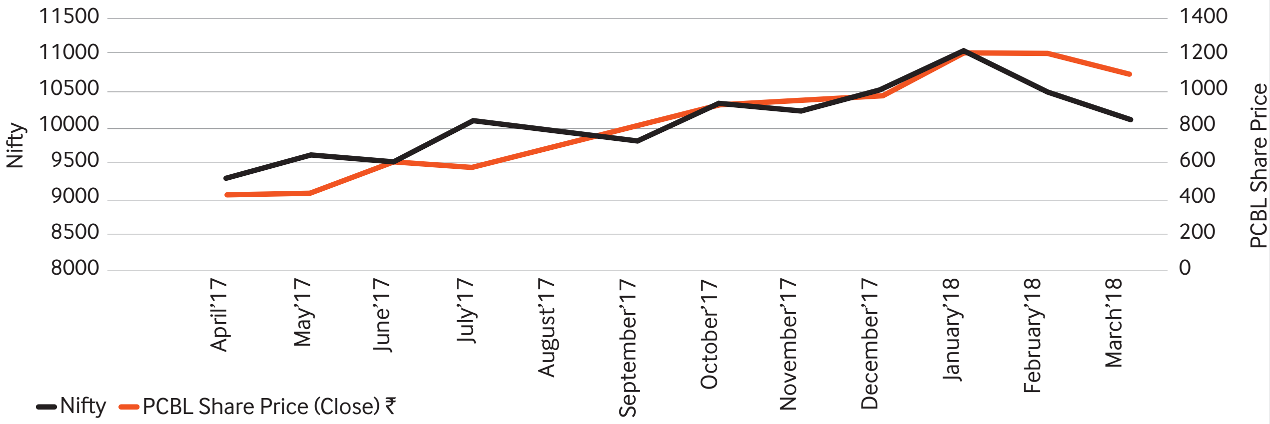
Market Price high, low, close during each month from April, 2017 to March, 2018 (in ₹) (as available from the website of National Stock Exchange of India Limited and Bombay Stock Exchange Limited):-

| Month | High | | Low | | Close | |
|---|---|---|---|---|---|---|
| | NSE | BSE | NSE | BSE | NSE | BSE |
| April'17 | 427.00 | 426.00 | 329.95 | 330.00 | 424.25 | 423.95 |
| May'17 | 465.00 | 465.65 | 375.00 | 375.45 | 438.35 | 437.35 |
| June'17 | 662.90 | 663.75 | 433.65 | 435.00 | 610.60 | 609.3 |
| July'117 | 654.00 | 654.60 | 570.75 | 571.65 | 583.35 | 583.5 |
| August'17 | 732.00 | 731.10 | 545.00 | 544.80 | 708.15 | 707.9 |
| September'17 | 853.20 | 853.40 | 690.00 | 690.65 | 805.35 | 803.6 |
| October'17 | 961.45 | 960.55 | 810.10 | 812.00 | 924.25 | 923.8 |
| November'17 | 1097.85 | 1094.95 | 872.45 | 871.05 | 943.65 | 945.35 |
| December'17 | 1006.00 | 1006.00 | 908.00 | 909.50 | 975.30 | 975.3 |
| January'18 | 1594.00 | 1594.90 | 958.05 | 960.60 | 1206.80 | 1209.55 |
| February'18 | 1264.00 | 1268.00 | 942.00 | 941.70 | 1199.70 | 1201.2 |
| March'18 | 1212.90 | 1215.20 | 976.05 | 977.15 | 1085.60 | 1087.3 |

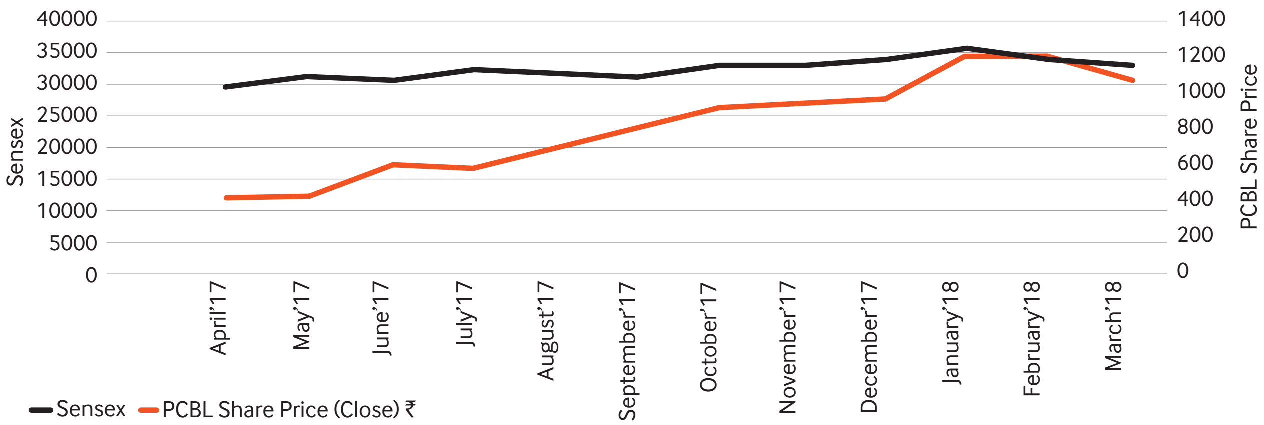
Monthly Comparison Chart of the Share Prices (in ₹) with the NSE Nifty and BSE SENSEX along with the No. of Shares traded during the period April, 2017 to March, 2018:-

| Month | Nifty / Sensex (Close) | | Share Price (Close ) (₹) | | No. of Shares Traded | |
|---|---|---|---|---|---|---|
| | NSE | BSE | NSE | BSE | NSE | BSE |
| April'17 | 9304.50 | 29918.40 | 424.25 | 423.95 | 5394320 | 1494990 |
| May'17 | 9621.25 | 31145.80 | 438.35 | 437.35 | 5188388 | 1383053 |
| June'17 | 9520.90 | 30921.61 | 610.60 | 609.3 | 16684325 | 3481421 |
| July'117 | 10077.10 | 32514.94 | 583.35 | 583.5 | 6848059 | 1644962 |
| August'17 | 9917.90 | 31730.49 | 708.15 | 707.9 | 11618642 | 2231881 |
| September'17 | 9788.60 | 31283.72 | 805.35 | 803.6 | 12356467 | 2371108 |
| October'17 | 10335.30 | 33213.13 | 924.25 | 923.8 | 12363646 | 1993315 |
| November'17 | 10226.55 | 33149.35 | 943.65 | 945.35 | 12910897 | 2160640 |
| December'17 | 10530.70 | 34056.83 | 975.30 | 975.3 | 3223866 | 594527 |
| January'18 | 11027.70 | 35965.02 | 1206.80 | 1209.55 | 33795830 | 5362041 |
| February'18 | 10492.85 | 34184.04 | 1199.70 | 1201.2 | 6524273 | 1177678 |
| March'18 | 10113.70 | 32968.68 | 1085.60 | 1087.3 | 4874701 | 831249 |

## PCBL SHARE PERFORMANCE VERSUS NSE NIFTY




## PCBL SHARE PERFORMANCE VERSUS BSE SENSEX



> **Registrar and Share Transfer Agent:**

Link Intime India Pvt. Ltd.
59-C Chowringhee Road
3rd Floor
Kolkata 700 020
Telephone No: (033) 2289 0539/40 Fax – 033- 2289 0539
Website: **www.linkintime.co.in**
E -Mail: **kolkata@linkintime.co.in**

> **Share Transfer Process**

The shares in physical form for transfer should be lodged at the office of the Company's Registrar and Share Transfer Agent, Link Intime India Pvt. Ltd., Kolkata or at the Registered Office of the Company. The transfers are processed within 10 days from the date of receipt of such request for transfer, if technically found to be in order and complete in all respects. As per directives issued by SEBI it is compulsory to trade in securities of any Company's equity shares in dematerialized form.

As per the requirement of Regulation 40(9) of the SEBI Listing Regulations, the Company has obtained the half yearly certificates from the Company Secretary in practice for due compliance of the share transfer formalities.

> **Reconciliation of Share Capital Audit**

As stipulated by SEBI, a qualified Company Secretary in practice conducts the Reconciliation of Share Capital Audit of the Company for the purpose of reconciliation of total admitted capital with the depositories, i.e. NSDL and CDSL, and the total issued and listed capital of the Company.

The Company Secretary in practice conducts the Audit every quarter and issues us the Report which, is then, submitted to the Stock Exchanges within a period of 30 days from the end of each quarter.

> **Dematerialization**

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

> **Distribution of Shareholding as on 31st March, 2018:-**

| Shareholding Pattern – Size of Holdings | No. of Shares | Percentage (%) to share capital | No. of Shareholders | Percentage (%) to Total holders |
|---|---|---|---|---|
| 1 – 500 | 3957359 | 11.4814 | 59252 | 95.7593 |
| 501 – 1000 | 1079997 | 3.1334 | 1424 | 2.3014 |
| 1001 – 2000 | 928737 | 2.6945 | 634 | 1.0246 |
| 2001 – 3000 | 447979 | 1.2997 | 177 | 0.2861 |
| 3001 – 4000 | 304559 | 0.8836 | 86 | 0.1390 |
| 4001 – 5000 | 267917 | 0.7773 | 56 | 0.0905 |
| 5001 – 10000 | 889716 | 2.5813 | 121 | 0.1956 |
| 10001 & above | 26591308 | 77.1488 | 126 | 0.2036 |
| **Total** | **34467572** | **100.0000** | **61876** | **100.0000** |

> **Shareholding Pattern as on 31st March, 2018:-**

| Nature of holdings | No. of Shares | % of Holdings |
|---|---|---|
| Non Resident Indians | 345547 | 1.0025 |
| Institutional Investors | 4838214 | 14.0370 |
| Promoters | 18461557 | 53.5621 |
| Bodies Corporate | 3086558 | 8.9550 |
| Resident Individuals | 7735696 | 22.4434 |
| **Total** | **34467572** | **100.0000** |

> **Dematerialisation of shares**

| | SHARES | % |
|---|---|---|
| NSDL -- | 30137006 | 87.44 |
| CDSL -- | 3524483 | 10.22 |
| **TOTAL** | **33661489** | **97.66** |

Pursuant to the Stock Split of the  Comapny, the New ISIN of the Company is INE602A01023.

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

> **Plant Locations**
The Company's plants are located at Durgapur in West Bengal, Kochi in Kerala, Palej and Mundra in Gujarat. The detailed addresses of the Company's plants have also been given separately in the Annual Report.

> **Address for correspondence :**

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

Link Intime India Pvt. Ltd.
59-C Chowringhee Road
3rd Floor, Room No. - 5
Kolkata 700 020
Telephone No: (033) 2289 0539/40
Fax –033- 2289 0539
E – Mail: **kolkata@linkintime.co.in**
Website: **www.linkintime.co.in**

**2) Company**
**(For any other matter and unresolved complaints)**

Mr. Kaushik Mukherjee
Company Secretary and Chief Legal Officer
Phillips Carbon Black Limited
31, Netaji Subhas Road
Kolkata – 700 001
Phones : (033) 6625 1000, 2242 0839
Fax : (033) 2248 0140
E – Mail : **kaushik.mukherjee@rp-sg.in**

For and on behalf of the Board

Sanjiv Goenka
Chairman
(DIN 00074796)

Kolkata
4th May, 2018

# DECLARATION BY THE MANAGING DIRECTOR REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT UNDER REGULATION 26(3) OF THE SEBI LISTING REGULATIONS

I, Kaushik Roy, Managing Director of Phillips Carbon Black Limited declare that all the Members of the Board of Directors and Senior Management Personnel have complied with the Company's Code of Conduct for Board Members and Senior Management Personnel for the year ended 31st , March, 2018 in terms of the SEBI Listing Regulations.

Kaushik Roy
Managing Director
(DIN: 06513489)

Kolkata
4th May, 2018

# BUSINESS RESPONSIBILITY REPORT

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

| | | |
|---|---|---|
| 1. | Corporate Identity Number | L2 3109WB1960PLC024602 |
| 2. | Name of the Company | Phillips Carbon Black Limited |
| 3. | Registered address | Duncan House, 3rd Floor, 31 N.S. Road, Kolkata – 700001 |
| 4. | Website | www.pcblltd.com |
| 5. | Email | pcbl@rp-sg.in |
| 6. | Financial year reported | 2017-2018 |
| 7. | Sectors engaged in | NIC Code-1920 - Manufacturing of Carbon Black |
| 8. | Key products/services the Company manufactures | Manufacturing of Carbon Black and Power Generation |
| 9. | Locations where business activities are undertaken by the Company | The Company's businesses and operations are spread across the country. The Company's plants are located at Durgapur in West Bengal, Kochi in Kerala, Palej and Mundra in Gujarat. The detailed addresses of the Company's plants have also been given separately in the Annual Report. |
| 10. | Markets served by the Company | All over India and 30+ international markets |

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

| | | |
|---|---|---|
| 1. | Paid-up Capital (₹ in crores) | 34.47 |
| 2. | Total Income (₹ in crores) | 2620.04 |
| 3. | Total Profit after Tax (₹ in crores) | 229.78 |
| 4. | Total Spending on Corporate Social Responsibility (CSR) as % of profit after tax | 2% of the average net profit for last three financial years. This is detailed in 'Annexure–D' to the Boards' Report, which forms a part of this Annual Report |
| 5. | List of activities in which CSR expenditures have been incurred | List of CSR activities are detailed in 'Annexure–D' to the Boards' Report, which forms a part of this Annual Report |

## SECTION C: OTHER DETAILS

| | | |
|---|---|---|
| 1. | Details on subsidiary companies | The Company has 3 subsidiaries, namely Phillips Carbon Black Cyprus Holdings Limited, PCBL Netherlands Holdings B.V and Phillips Carbon Black Vietnam Joint Stock Company as on 31st March 2018 |
| 2. | Participation of subsidiary companies in the Business Responsibility (BR) initiatives of the parent Company | Foreign subsidiary companies |
| 3. | Participation of other entities (suppliers, contractors, etc.) in the BR initiatives of the Company | Not applicable |

## SECTION D: BR INFORMATION

| | | | |
|---|---|---|---|
| 1. | Details of Director/Directors responsible for BR | | The BR functions are inter alia, monitored by the CSR Committee of the Board of Directors of the Company, formed in terms of Section 135 of the Companies Act, 2013 |
| | A | Details of Director/Directors responsible for the implementation of the BR policy/ policies | The CSR Committee of the Board of Directors functions under the Chairmanship of Mr. K S B Sanyal, a Non-executive Independent Director. The CSR Committee also comprises Mr. Shashwat Goenka, a Non-executive Director, and Mr. Kaushik Roy, Managing Director of the Company, as members.<br>The details of the Directors responsible for the implementation of the BR policies are as follows:<br>DIN : 00009497<br>Name : K S B Sanyal<br>Designation :Non-executive Independent Director<br>DIN : 03486121<br>Name : Shashwat Goenka<br>Designation : Non-executive Director<br>DIN : 06513489<br>Name : Kaushik Roy<br>Designation : Managing Director |

| | | |
|---|---|---|
| (b) | Details of the BR Head | Mr. Kaushik Roy, Managing Director and a member of the CSR Committee of the Board of Directors of the Company, has the overall responsibility for the BR activities and his details are as follows:-<br>DIN : 06513489<br>Name : Kaushik Roy<br>Designation : Managing Director<br>Telephone No. : 033-66251461<br>Email ID : pcbl.investor@rp-sg.in |

## 2. PRINCIPLE-WISE BR POLICIES–AS PER NATIONAL VOLUNTARY GUIDELINES

### (a) Details of compliance

| Sl. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Do you have a policy/policies for.....? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2. | Has the policy/policies been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3. | Does the policy/policies conform to any national/international standards? If yes, specify? | The policies of the Company generally conform to the Principles of the National Voluntary Guidelines (NVGs) on Social, Environment and Economic Responsibilities of Business, issued by the Ministry of Corporate Affairs (MCA), Government of India in July, 2011. | | | | | | | | |
| 4. | Has the policy/policies been approved by the Board? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 5. | Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6. | Indicate the link for the policy/policies to be viewed online. | The policies are uploaded on the website of the Company at www.pcblltd.com under the segment 'Investor Relations'. The web links on which the policies can be viewed are http://www.pcblltd.com/investorrelations/investorrelations.php?container=52 and http://www.pcblltd.com/investorrelations/investorrelations.php?container=38. | | | | | | | | |
| 7. | Has the policy/policies been formally communicated to all the relevant internal and external stakeholders? | Yes, the policies have been communicated to all the key internal and external stakeholders. Communication is an ongoing process and it is intended to cover both the internal and external stakeholders. Besides, the web link of all our policies are also depicted in the Boards' Report and the Corporate Governance Report, which forms a part of the Annual Report, and the same stands communicated to the stakeholders accordingly. | | | | | | | | |
| 8. | Does the Company have an in-house structure to implement the policy/policies? | Yes. | | | | | | | | |
| 9. | Does the Company have a grievance redressal mechanism to address stakeholders' grievances related to the policy/policies? | Yes, the Company has a Stakeholders Relationship Committee of the Board of Directors to look into the redressal of grievances of shareholders and other security holders of the Company. Further, the Company also has a Whistle Blower Policy / Vigil Mechanism to enable the Directors and employees of the Company to address their genuine concerns about any instance of irregularity, unethical practice and/or misconduct, etc., if any, to the Chairperson of the Audit Committee. | | | | | | | | |
| 10. | Has the Company carried out an independent audit/evaluation of the working of the policy/ policies by an internal or external agency? | The evaluation of the CSR activities, undertaken by the Company in accordance with the CSR policy formulated in this regard, is done by the respective CSR Committee of the Board of Directors of the Company set up in terms of the Companies Act, 2013. | | | | | | | | |

## SECTION E: PRINCIPLE-WISE PERFORMANCE

Disclosure of performance in the Annual Report

### PRINCIPLE 1:

**BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY.**

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/joint ventures/suppliers/contractors/NGOs/ others?**

   The Company has a 'Code of Conduct for Board Members and Senior Management Personnel' in place to serve as a source of guiding principle for all Directors and Senior Management Officers of our Company.

   A Board-approved policy on 'Ethics and Code of Conduct' serves as a source of guiding principle for Phillips Carbon Black Limited's (PCBL's) corporate governance philosophy, which is anchored in the RP-Sanjiv Goenka Group Core Values of 'Customer Happiness', 'Credibility', 'Humaneness', 'Execution Excellence', 'Speed' and 'Risk Taking'. PCBL employees are bound by the 'Ethics and Code of Conduct' policy for conducting their day-to-day work affairs, participating in activities outside their jobs in a lawful manner and without any conflict with their responsibilities as employees. The policy is also intended for ensuring fair dealings with customers, suppliers, contractors and other stakeholders to our business.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? Provide details thereof, in about 50 words or so.**

   The Stakeholders Relationship Committee of the Board of Directors of the Company looks into the redressal of the grievances of shareholders and other security holders of the Company. The Company received few complaints, from its shareholders and all of those were satisfactorily resolved by the Company. The details relating to the number of shareholders' complaints received and resolved during the year have been separately shown in the 'Corporate Governance Report', which forms a part of the Annual Report 2017-2018.

   In addition to the above, the Company also has in place a Whistle Blower Policy / Vigil Mechanism to enable the Directors and employees of the Company to report their concerns about the Company's working or about any violation of its policies. The Company also has an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, covering all the women employees of the Company. All these policies have been detailed in the 'Corporate Governance Report', which forms a part of the Annual Report 2017-2018. No stakeholder complaints have been received in the past financial year under the purview of the Whistle Blower Mechanism and the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### PRINCIPLE 2:

**BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND THAT CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE.**

1. **List up to top three of your products or services whose designs have incorporated social or environmental concerns, risks and/or opportunities and for each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product:**

   (a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain

   (b) Reduction during usage by consumers (energy, water, etc.) achieved since the previous year

   (i) **FDA-compliant black**–Our Company is the third global producer of such type of Carbon Black. This high purity furnace black is used in direct and indirect food contact applications such as plastic food trays and cutlery in developed and developing countries. Plastics items made out of this grade are capable of working in wide range of temperatures from 0 to 200°C, without affecting any property. Quality consistency and conformance to the US Food and Drug Administration (FDA) 21 Code of Federal Regulations (CFR) 178.3297 is very critical for this product.. Our Company has been successfully selling this grade for the last couple of years to our major International Customers.

   **(ii) Water based Ink application -** Our Company developed product in the last year for water-based ink application to commensurate with latest market trend. The recent trend of ink industries emphasised on using low Volatile Organic Content (VOC) as per the guidelines/policies issued by Environmental Protection Authority of most of the countries. Therefore, ink manufacturers are focused on developing water-based formulations. Our product has been already approved and used by the top two ink manufacturers in the world, in US and UK. Thus, by developing this product, we have moved towards environment-friendly chemicals such as water-based liquid formulations, being a responsible corporate citizen.

   **(iii) Drip Irrigation Pipe System –**Our Company developed this product for the drip irrigation pipe system. In today's world of restricted water usage, the irrigation industry is focusing on drip irrigation pipe systems, which include drip tube and drip laterals. These are sprinklers that use high-pressure water through a fine orifice. For this type of product, Carbon Black dispersion and surface smoothness are critical. Our product is equivalent to the global benchmark in terms of dispersions. Therefore, this grade was developed in line with the current focus of the agricultural industry to use water efficiently.

2. **Does the Company have procedures in place for sustainable sourcing (including transportation)?**

Yes, the Company has procedures in place for sustainable sourcing. Sustainable procurement involves an organisation meeting its need for goods and services in a way that achieves value for money and generates benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment.

Sustainable procurement comprises three dimensions, social, environmental and economic sustainability, and aims to reduce the adverse environmental, social and economic impacts of the purchased products and services throughout their life.

The Company integrates sustainable development into its procurement strategy, day-to-day operations and relationships with suppliers. PCBL is an Occupational Health and Safety Assessment Series (OHSAS) certified organisation and is committed towards identifying, preventing and managing risks pertaining to Health and Safety (H&S), social responsibility and environment in its supply chain.

3. **Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work?**

   (a) **If yes, what steps have been taken to improve the capacity and capability of local and small vendors?**

The support of local businesses is vital in ensuring the growth of a company. The Company has created various support mechanisms and policies to assist the growth of local businesses., a strategic local manufacturing development roadmap was established by the Company in the field of Purchase.

The Company has developed local manufacturer for different types of Air Preheater (APH) bellows, alloy casting tubes, gear box, palletizer, paper bag packing etc. through reverse engineering.

To increase the confidence of local and small vendors, the Company is:

> Providing technical guidance as an when required

> Paying periodic visits to the local manufacturer's factory

> Following supportive terms and condition at the initial stage to encourage the local and small vendors.

4. **Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Provide details thereof, in about 50 words or so.**

The Company is committed to reduce its carbon footprint and contribute to water and solid waste recycling. The Company's co-generation power plants generate green power from the tail gas of the process, thereby replacing the same amount from fossil fuel fired power plants and reducing Greenhouse Gas (GHG) emissions. The 12 MW co – generation power plant at Palej was the first unit globally to be registered as Clean Development Mechanism (CDM) under United Nations Framework Convention on Climate Change (UNFCCC).

The Company has also implemented rain water harvesting systems and in most of its units, recycles the treated effluent water back in process. More than 90% of the solid waste generated is recycled internally.

## PRINCIPLE 3:
## BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES.

The Company's envisioning journey that had started way back in 2014 is founded upon the five pillars of people philosophy– Leadership, Culture, Capabilities, Demography and Rewards. This is what drives the Company's people initiatives.

The Company is focusing on the Leadership pillar by strengthening the Performance Management system (PMS), which is based on the Big Idea, Business Theme, Methods, Obstacle and Measures (B2MOM) concept. The B2MOM-driven PMS process empowers managers to drive team performance and team development, drive coaching as inherent trait of a leader and build leaders' ownership on reward decisions. In line with this philosophy, the senior leadership team attended a workshop called 'Crafting the leadership strategy' facilitated by the Managing Director.

The capability-building initiatives introduced across the Company include 'Virtual Gurukul', an online training platform; Embark PCBLite, an e-induction module for new employees; Pragati, a workshop to align the mindset of the employees across the organisation hierarchy towards the Company's business and so on.

Our Company is among those organisations that recognises that in today's fast-paced, competitive business environment, continuous learning is the key to success.

To drive the culture of transparency and imbibe an 'inclusive' value in the workplace, the Company's video-based communication platform 'Sampark Live' plays a critical role. The whole organisation witnesses PCBL Leaders' views and thoughts on a real-time basis. Our Company's Leaders drive the culture of customer-centricity and build a global mindset through this platform. It also serves as a platform where employees can give feedback, interact with the Leaders and seek clarification. Other communication initiatives include We@PCBL (an audio-visual magazine), Brown Bag (an open panel discussion) and social media postings.

The Company's Industrial Relations (IR) continues to be harmonious and not a single man-day was lost in the financial year.

1. **Please indicate the total number of employees:**

   Total number of permanent employees (management staff)-662

   Total number of permanent employees (non-management staff)-253

2. **Please indicate the total number of employees hired on a temporary/contractual/casual**

| | | |
|---|---|---|
| Total number of employees hired on | Temporary basis | Nil |
| | Casual basis | Nil |
| | Contractual basis | 602 |

3. **Please indicate the total number of permanent women employees:**

Total number of permanent women employees-44

4. **Please indicate the total number of permanent employees with disabilities:**

2

5. **Do you have an employee association that is recognised by the management?**

The Workmen of Phillips Carbon Black Limited are members of recognized trade union.

6. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour and sexual harassment in the last financial year and pending, as on the end of the financial year.**

| No. | Category | No of complaints filed during the financial year | No of complaints pending as on the end of the financial year |
|---|---|---|---|
| 1. | Child labour / forced labour / involuntary labour | Not applicable | Not applicable |
| 2. | Sexual harassment | NIL | Not applicable |
| 3. | Discriminatory employment | NIL | Not applicable |

7. **What percentage of your under-mentioned employees were given safety and skill upgradation training in the last year?**

| Category | No. of persons | % of safety training in the last year |
|---|---|---|
| Permanent Employees | 915 | 70.6 |
| Permanent Women Employees | 44 | 80 |
| Casual / Temporary / Contractual Employees | 602 | 82.5 |
| Employees with Disabilities | 2 | - |

## PRINCIPLE 4:
## BUSINESSES SHOULD RESPECT THE INTEREST OF AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

1. **Has the Company mapped its internal and external stakeholders?**

The Company's vision of becoming a trusted Global player that will provide cutting edge solutions to its Partners and an exciting workplace to its People revolves around its mapped strategy, customer-centricity, process orientation, robust financials and brand building. The Company believes that an effective stakeholder engagement process is a strong foundation to progress sustainably towards its vision.

With this view, the Company has clearly mapped its internal and external stakeholders, which include shareholders, customers, employees, suppliers, communities/society in and around where it does business and the government.

2. **Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?**

The Company has put in place systems and procedures to identify and address the needs and concerns of its stakeholders across businesses and units in a systematic manner. The Company has implemented mechanisms to facilitate effective dialogues with all stakeholders across businesses and their resolution in an effective and transparent manner.

The Company has also built a strong partnership with communities by identifying employees as CSR volunteers across its units. The Company strongly drives several community initiatives in the areas of education, environment sustainability, health and community development to support and facilitate the development of the underprivileged sections of the society in and around its manufacturing units.

3. **Are there any special initiatives undertaken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.**

Based on the survey feedback as mentioned above, action plans are drawn to address the issues raised by different stakeholders.

## PRINCIPLE 5:
## BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/joint ventures/suppliers/contractors/NGOs/others?**

The various aspects of human rights are embedded in the organisation's values/policies/guidelines and are taken care of judiciously by the management.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

The Company has not received any complaints in the past financial year from any stakeholders as mentioned above. The details relating to the number of shareholder complaints received and resolved during the year have been separately shown in the 'Corporate Governance Report', which forms a part of the Annual Report 2017-2018.

## PRINCIPLE 6:

**BUSINESSES SHOULD RESPECT, PROTECT AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT.**

The Company is well aware of the importance of environmental sustainability. The Company is focusing on reducing its carbon footprint and on water and solid waste recycling. The Company has contributed positively to environment conservation by efficient use of resources. The Environment, Health and Safety (EHS) Policy provides the necessary direction for the same.

The Company has plans to align with the National Action Plan on Climate Change (NAPCC) of the Government of India to mitigate the threats of global warming / climate change through continual improvement in every sphere of operations.

In lines with the commitments of the EHS Policy, the Company has established management systems, which are certified by competent accreditation bodies in line with international standards such as ISO 14001 and OHSAS 18001. Necessary contingency plans are developed and implemented to prevent, mitigate and control environmental disasters.

Further, the Company has institutionalised safety as a value-led concept by inculcating a sense of ownership at all levels. Customised risk-based training programmes are conducted across the manufacturing units, which has resulted in improved safety performance.

## PRINCIPLE 7:

**BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER.**

1. **Is your Company a member of any trade and chamber or association? If yes, name only the major ones that your business deals with.**

    (a) Indian Chamber of Commerce **(ICC)**

    (b) Bengal Chamber of Commerce and Industry **(BCC&I)**

    (c) Federation of Indian Chambers of Commerce & Industry **(FICCI)**

    (d) Confederation of Indian Industries **(CII)**

    (e) The Associated Chambers of Commerce & Industry of India **(Assocham)**

    (f) All India Management Association **(AIMA)**

    (g) Federation of Indian Export Organisations **(FIEO)**

    (h) Basic Chemicals, Cosmetics & Dyes Export Promotion Council **(CHEMEXCIL)**

2. **Have you advocated/lobbied through the above associations for the advancement or improvement of public good? If yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)**

    The Company is in engagement with the aforementioned bodies for contributing to the advancement or improvement of the society at large and for public good, in various ways.

## PRINCIPLE 8:

**BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT.**

1. **Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes, please provide details thereof.**

    In line with the CSR Policy, the Company has been undertaking community-oriented programmes to promote sustainable and inclusive development of the deprived sections of the population. The CSR Policy formed by the Board of Directors shall apply to all CSR initiatives and activities taken up by the Company for the benefit of different sections of the society. The Company has been undertaking various activities with regard to education, health, community development and environment sustainability to support and facilitate the development of the underprivileged and disadvantaged sections of the society. The CSR projects are undertaken in consultation with the stakeholders to ensure that they are relevant and respond to the needs of the community for which they are implemented.

2. **Are the programmes/projects undertaken through an in-house team / own foundation / external NGO / Government structures / any other organisation?**

    The projects are mostly undertaken by the in-house team of the Company. The Company has involved its own employees as volunteers engaged with various projects.

3. **Have you done any impact assessment of your initiative?**

    The Company conducts periodic assessment of its projects under the CSR programme. The CSR Committee of the Board of Directors reviews the implementation of the projects and programmes undertaken by the Company during the year. Reports are sought from the implementing agencies, wherever they are involved, in order to understand the impact of the initiatives. In-house projects are being reviewed and monitored on a regular basis.

4. **What is your Company's direct contribution to community development projects? Provide information on the amount in INR and the details of the projects undertaken.**

    Environment, Health, Safety and Social Responsibility

    In accordance with the Company's CSR Policy of preserving and enriching the environment where we do business, we have been implementing several CSR projects in the areas of education, environment sustainability, health and community development to support and facilitate development of the underprivileged section of the society in and around our manufacturing units.

    Education

    In the Education segment, the Company has contributed to infrastructure development work at school (including the construction of a playground), school trip expenses, computer literacy programme for the underprivileged students, facilitation of tuitions, distribution of school aid materials, donation towards food distribution, organising of cultural activities at the schools for the underprivileged students and distribution of uniforms to the community children.

### Health

In the Health space, our Company constructed individual household toilets under the Swachch Bharat Abhiyaan campaign, contributed towards infrastructural development of hospitals, gave medical aids (including diagnosis and consultation) to the local community and provided polio vaccines to the children of the nearby villages.

### Community Development

Our Company has financially assisted in various social projects undertaken in the downtrodden areas and contributed to the Chief Minister's Relief Fund towards the Gujarat flood, AITUC, Janakiya Samiti and political party fund for the purpose of socio-economic development.

### Environment Sustainability

In terms of Environment Sustainability, the Company has installed a facility for rain water harvesting from the existing building roof to reduce raw water consumption. The Company also contributed towards the cleaning of ponds and rivers near its manufacturing units. It consistently engages in sapling plantation to develop green belts inside and outside the factory premises. Organic fertilisers, cow fodder and grass are supplied to the drought-prone villages located close to the plants. The Company has also spearheaded the recycling of waste water in its factories, thus leading to zero discharge of waste. Each factory also focuses on driving safe workplace initiatives, which has resulted in zero fatal accidents at the Company's plants.

Details of the amount spent for the respective projects have been furnished separately in 'Annexure-D' to the Boards' Report.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

   Every project has a committee that participates in and contributes to the project. The Company also believes in participatory approach while planning and implementing the community development initiatives. The Company's CSR projects at several locations are developed in consultation and participation with various stakeholders, including the local communities. Further, regular stakeholder consultations are held at regular intervals for all the projects to ensure sustainability.

## PRINCIPLE 9:

**BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER.**

The process of capturing the voice of the customer is established through different levels of interaction, visits and customer's periodic rating. The rating is reviewed on a regular basis.

A robust system for customer grievance handling is established to close all complaints by 15 days with proper Root Cause Analysis (RCA). The Company has established the process of 'being fit' to the customer's product, application and regulation requirements. It strives to establish an excellent relationship with its customers and proactively caters to the customer's requirement.

Product information details in compliance to the regional regulations are mentioned on the packaging label. Packaging label and quality comply with the ISO standards.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF PHILLIPS CARBON BLACK LIMITED

## REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS

We have audited the accompanying standalone Ind AS financial statements of **Phillips Carbon Black Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies.

## MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## OTHER MATTER

The Ind AS financial statements of the Company for the year ended March 31, 2017, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on 10 August, 2017.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:
   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 10 and 23 to the standalone Ind AS financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership No.: 058652

Kolkata
May 4, 2018

# ANNEXURE 1 TO INDEPENDENT AUDITOR'S REPORT

**Annexure 1 referred to in paragraph 1 of the section on "Report on other legal and regulatory requirements" of our even report on the even date**

To the Members of **Phillips Carbon Black Limited**

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   (c) According to the information and explanations given by the management the title deeds of immovable properties included in property, plant and equipment are held in the name of the company except leasehold land at Chennai aggregating ₹ 2,521.08 lakhs as at March 31, 2018 for which title deed is yet to be executed in favour of the Company.

2. The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2018 and no material discrepancies were noticed in respect of such confirmations.

3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

4. In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the company.

5. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture manufacturing and sale of carbon black and sale of power, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

   (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues, including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues applicable to it.

   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

   (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise and value added tax on account of any dispute, are as follows:

| Name of the statute | Nature of Dues | Amount (₹ in lakhs) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| Central Excise Act, 1944 | Excise Duty | 6463.80 | 1999-00 to 2016-17 | Customs Excise and Service Tax Appellate Tribunal |
| | | 663.40 | 1997-98 to 1998-99, 2003-04 to 2016-17 | Commissioner (Appeals) |
| | | 3.08 | 2009-10 | Ministry of Finance |
| | | 26.85 | 2005-06 to 2006-07 | Supreme Court |
| | Service Tax | 602.06 | 2012-13 | Customs Excise and Service Tax Appellate Tribunal |
| Customs Act, 1962 | Customs Duty | 8.70 | 2009-10 and 2012-13 | Customs Excise and Service Tax Appellate Tribunal |
| | | 38.30 | 2006-07 to 2010-11 | Deputy Commissioner of Custom |
| | | 11.80 | 2008-09 to 2009-10 | Supreme Court |
| Finance Act 1994 | Service Tax | 299.44 | 2008-09 to 2014-15 | Customs Excise and Service Tax Appellate Tribunal |
| Central Sales Tax Act, 1956 | Central Sales Tax | 138.61 | 2007-08 | Senior Joint Commissioner Commercial Taxes |
| | | 109.13 | 2010-11, 2012-13 to 2014-15 | Dy. Commissioner of Commercial Taxes |
| | | 458.13 | 1999-00, 1994-95 to 1995-96 and 2000-01 | High Court at Calcutta |
| | | 634.52 | 2003-04 to 2006-07, 2011-12 to 2012-13 and 2014-15 | West Bengal Commercial Taxes Appellate & Revisional Board |
| Gujarat Value Added Tax Act, 2006 | Value Added Tax | 22.57 | 2006-07 | Gujarat Value Added Tax Tribunal |
| The Kerala Value Added Tax Act, 2003 | Value Added Tax | 86.33 | 2007-08 to 2009-10, 2011-12 and 2013-14 to 2015-16 | Deputy Commissioner of Commercial Taxes |
| West Bengal Sales Tax Act, 1994 | Sales Tax | 67.46 | 2003-04 | West Bengal Commercial Taxes Appellate & Revisional Board |
| | | 92.72 | 1999-00, 1994-95 to 1995-96, 2000-01 and 2004-05 | West Bengal Taxation Tribunal |
| West Bengal Value Added Tax Act, 2003 | Value Added Tax | 78.31 | 2007-08 | Senior Joint Commissioner Commercial Taxes. |
| | | 4.41 | 2014-15 | West Bengal Commercial Taxes Appellate & Revisional Board |
| | | 28.16 | 2005-06 and 2014-15 | West Bengal Taxation Tribunal |
| Income-tax Act, 1961 | Income Tax | 94.55 | 1993-94 | Commissioner (Appeals) |

7. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank. There are no dues from government or dues to debenture holders during the year and hence not commented upon.

8. In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised.

9. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

10. According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

11. In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

12. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

13. According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

14. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred to in section 192 of Companies Act, 2013.

15. According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company

**For S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership No.: 058652

Kolkata
May 4, 2018

# ANNEXURE 2 TO INDEPENDENT AUDITOR'S REPORT

## ANNEXURE 2 TO THE INDEPENDENT AUDITORS REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF PHILLIPS CARBON BLACK LIMITED

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

To the Members of **Phillips Carbon Black Limited**

We have audited the internal financial controls over financial reporting of **Phillips Carbon Black Limited** ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership No.: 058652

Kolkata
May 4, 2018

# BALANCE SHEET

as at 31 March, 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3(a) | 139,426.75 | 138,305.64 |
| Investment properties | 3(b) | 447.73 | 447.73 |
| Capital work-in-progress | 3(c) | 6,684.43 | 7,375.79 |
| Intangible assets | 3(d) | 44.64 | - |
| Financial assets | | | |
| (i) Investments | 4(a) | 33,740.43 | 21,399.16 |
| (ii) Loans | 4(e) | 1,831.80 | 1,791.00 |
| (iii) Other financial assets | 4(f) | 139.20 | 139.20 |
| Other non-current assets | 5 | 4,720.55 | 971.74 |
| **Total Non-current assets** | | **187,035.53** | **170,430.26** |
| **Current assets** | | | |
| Inventories | 6 | 30,990.16 | 24,352.32 |
| Financial assets | | | |
| (i) Investments | 4(a) | - | 9,502.97 |
| (ii) Trade receivables | 4(b) | 52,197.46 | 46,565.61 |
| (iii) Cash and cash equivalents | 4(c) | 13,285.17 | 2,233.35 |
| (iv) Other bank balances | 4(d) | 97.13 | 129.75 |
| (v) Loans | 4(e) | 45.59 | 50.63 |
| (vi) Other financial assets | 4(f) | 458.14 | 144.07 |
| Other current assets | 5 | 1,826.30 | 3,341.72 |
| **Total Current assets** | | **98,899.95** | **86,320.42** |
| **TOTAL ASSETS** | | **285,935.48** | **256,750.68** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Equity share capital | 7 | 3,446.77 | 3,446.73 |
| Other equity | 8 | 133,788.10 | 109,146.48 |
| **TOTAL EQUITY** | | **137,234.87** | **112,593.21** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Financial Liabilities | | | |
| Borrowings | 9(a)(i) | 16,425.49 | 19,016.25 |
| Provisions | 10 | 70.05 | 66.08 |
| Deferred tax liabilities (Net) | 11 | 22,727.27 | 20,467.26 |
| **Total Non-current liabilities** | | **39,222.81** | **39,549.59** |
| **Current liabilities** | | | |
| Financial Liabilities | | | |
| (i) Borrowings | 9(a)(ii) | 52,263.30 | 54,814.30 |
| (ii) Trade payables | 9(b) | | |
| a) Total outstanding dues of micro enterprises and small enterprises | | 102.17 | 5.51 |
| b) Total outstanding dues of creditors other than micro enterprises and all enterprises | | 37,926.87 | 41,420.29 |
| (iii) Other financial liabilities | 9(c) | 7,644.34 | 5,056.01 |
| Provisions | 10 | 7,650.44 | 1,460.31 |
| Current tax liabilities (Net) | 13 | 1,204.56 | 206.42 |
| Other current liabilities | 12 | 2,686.12 | 1,645.04 |
| **Total Current liabilities** | | **109,477.80** | **104,607.88** |
| **TOTAL LIABILITIES** | | **148,700.61** | **144,157.47** |
| **TOTAL EQUITY AND LIABILITIES** | | **285,935.48** | **256,750.68** |

The accompanying notes form an integral part of these standalone financial statements.
This is the Standalone Balance Sheet referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# STATEMENT OF PROFIT AND LOSS

for the year ended 31 March, 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| Revenue from operations | 14 | 260,031.14 | 213,126.86 |
| Other income | 15 | 1,973.03 | 1,893.80 |
| **Total Income** | | **262,004.17** | **215,020.66** |
| **Expenses** | | | |
| Cost of materials consumed | 16(a) | 165,089.42 | 122,126.36 |
| Changes in inventories of finished goods | 16(b) | 841.71 | 1,527.55 |
| Excise duty on sale of products | | 5,333.31 | 20,431.75 |
| Employee benefits expense | 17 | 9,717.57 | 8,180.12 |
| Finance costs | 18 | 4,143.53 | 5,144.89 |
| Depreciation and amortisation expense | 19 | 6,052.39 | 6,061.98 |
| Other expenses | 20 | 40,443.53 | 34,996.12 |
| **Total Expenses** | | **231,621.46** | **198,468.77** |
| **Profit before tax** | | **30,382.71** | **16,551.89** |
| Income-tax expense | 21 | | |
| Current tax | | 9,179.60 | 3,611.07 |
| Deferred tax | | (1,775.51) | 5,988.68 |
| **Total tax expense** | | **7,404.09** | **9,599.75** |
| **Profit for the year** | | **22,978.62** | **6,952.14** |
| **Other Comprehensive Income** | | | |
| Items that will not be reclassified to profit or loss, net of taxes | | | |
| Remeasurements of post-employment defined benefit obligation (net of tax) | | (193.88) | (16.44) |
| Changes in fair value of equity instruments through OCI (net of tax) | | 4,582.65 | 5,347.95 |
| **Total Other Comprehensive Income, net of tax** | | **4,388.77** | **5,331.51** |
| **Total Comprehensive Income for the year** | | **27,367.39** | **12,283.65** |
| **Earning per equity share :** | 26 | | |
| **[Nominal Value per share - ₹ 2/- (Previous year - ₹2/-)] [Refer note 7(ii)]** | | | |
| Basic (₹) | | 13.33 | 4.03 |
| Diluted (₹) | | 13.33 | 4.03 |

The accompanying notes form an integral part of these standalone financial statements.
This is the Standalone statement of profit and loss account referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | Year Ended 31 March, 2018 | | Year Ended 31 March, 2017 | |
|---|---|---|---|---|---|
| **A. Cash Flow from Operating Activities** | | | | | |
| **Profit before Tax** | | | 30,382.71 | | 16,551.89 |
| Adjustments to reconcile profit before tax to net cash flows: | | | | | |
| Depreciation and amortisation expenses | 19 | 6,052.39 | | 6,061.98 | |
| Finance costs | 18 | 4,143.53 | | 5,144.89 | |
| Allowance for doubtful debts / expected credit losses - trade receivable | 20 | 50.00 | | 766.72 | |
| Allowance for doubtful advances | 20 | - | | 251.46 | |
| Interest income from certain financial assets | | (84.34) | | (146.20) | |
| Unwinding of interest on loan to subsidiary | 15 | (46.53) | | (42.31) | |
| Dividend income from equity instruments designated at FVOCI | 15 | (266.27) | | (264.12) | |
| Gain on sale of investments carried at FVTPL | 15 | (927.33) | | (842.82) | |
| Fair Value gains on financial assets (investments) at FVTPL | 15 | (220.84) | | (153.78) | |
| Liabilities no longer required written back | 15 | (40.14) | | (13.38) | |
| Allowance for doubtful debts / expected credit loss written back | 15 | (249.06) | | (216.78) | |
| Allowance for doubtful advances written back | 15 | - | | (117.50) | |
| (Profit)/Loss on disposal of property, plant and equipment / Capital work in progress written off | 15/20 | (3.93) | | 697.73 | |
| Balance with Government Authorities written off | 20 | - | | 475.95 | |
| Advances written off | 20 | - | | 135.17 | |
| Provision/ (Reversal) for Impairment of investment in subsidiary | 20 | (345.13) | | 235.41 | |
| Provisions for claims and litigations | | 5,790.37 | | - | |
| Foreign exchange differences (net) | | 2,204.08 | | (1,273.12) | |
| | | | 16,056.80 | | 10,699.30 |
| **Operating profit before changes in operating assets and liabilities** | | | **46,439.51** | | **27,251.19** |
| **Changes in operating assets and liabilities** | | | | | |
| Decrease in inventories | | (6,637.84) | | 69.92 | |
| Decrease in financial and non-financial assets | | (4,090.70) | | 733.11 | |
| Increase in financial and non-financial liabilities | | (2,827.06) | | 9,998.32 | |
| | | | (13,555.60) | | 10,801.35 |
| **Cash generated from operations** | | | **32,883.91** | | **38,052.54** |
| **Income tax paid** | | | (6,833.27) | | (3,380.27) |
| **NET CASH FROM OPERATING ACTIVITIES** | | | **26,050.64** | | **34,672.27** |
| | | | | | |
| **B. Cash Flow from Investing Activities** | | | | | |
| Payments for acquisition of property, plant and equipment | | (10,022.41) | | (4,070.55) | |
| Proceeds on disposal of property, plant and equipment | | 5.32 | | 5.83 | |
| Payments for purchase of current investments | | (288,700.00) | | (248,211.62) | |
| Proceeds from sale/redemption of current investments | | 299,130.30 | | 249,030.05 | |
| Payments for purchase of non-current investments | | (8,227.22) | | (3,599.30) | |
| Proceeds from sale of non-current investments | | 3,485.00 | | 2,856.55 | |
| Interest received | | 52.79 | | 135.60 | |
| Dividend received from equity instruments designated at FVOCI and others | | 266.27 | | 264.12 | |
| **NET CASH USED IN INVESTING ACTIVITIES** | | | **(4,009.95)** | | **(3,589.32)** |

# STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | | Notes | Year Ended 31 March, 2018 | | Year Ended 31 March, 2017 | |
|---|---|---|---|---|---|---|
| **C.** | **Cash Flow from Financing Activities** | | | | | |
| | Arrear Allotment money received | | 0.23 | | - | |
| | Proceeds from non-current borrowings | | 5,000.00 | | 16,564.90 | |
| | Repayment of non-current borrowings | | (6,536.98) | | (27,247.85) | |
| | Increase/(decrease) in cash credit facilities from banks | | 470.35 | | (3,329.03) | |
| | Proceeds from current borrowings | | 136,631.81 | | 89,870.38 | |
| | Repayment of current borrowings | | (140,922.82) | | (101,030.60) | |
| | Dividends paid [including tax on dividend ₹ 421.01 lakhs (Previous Year - ₹ 596.43 lakhs)] | | (2,521.68) | | (3,526.17) | |
| | Finance cost paid | | (3,109.78) | | (5,010.31) | |
| **D.** | **NET CASH USED IN FINANCING ACTIVITIES** | | | **(10,988.87)** | | **(33,708.68)** |
| | Net increase/(decrease) in Cash and Cash Equivalents | | | **11,051.82** | | **(2,625.73)** |
| | Opening Cash and Cash Equivalents [Refer Note 4(c)] | | | 2,233.35 | | 4,859.08 |
| | Closing Cash and Cash Equivalents [Refer Note 4(c)] | | | **13,285.17** | | **2,233.35** |

The accompanying notes form an integral part of these Standalone Statement of Cash Flows.
This is the Standalone Statement of Cash Flows referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## A. Equity share capital

| Particulars | Notes | 31 March, 2018 No of shares | 31 March, 2018 Amount | 31 March, 2017 No of shares | 31 March, 2017 Amount |
|---|---|---|---|---|---|
| **EQUITY SHARES OF ₹ 10 EACH ISSUED, SUBSCRIBED AND PAID UP:** | | | | | |
| **Opening balance** | | 34,467,572 | 3,446.73 | 34,467,572 | 3,446.73 |
| Changes in equity share capital during the year | | | | | |
| Receipt of pending allotment money | 7 | - | 0.04 | - | - |
| **Closing balance** | | **34,467,572** | **3,446.77** | **34,467,572** | **3,446.73** |

## B. Other equity

| Particulars | Notes | Reserves and Surplus: Capital Reserve | Reserves and Surplus: Securities premium Reserve | Reserves and Surplus: General Reserve | Reserves and Surplus: Statutory Reserve | Reserves and Surplus: Retained Earnings (Surplus in Statement of Profit and Loss) | Other Reserves: Fair value through other comprehensive income - Equity instruments | Total Other Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 April, 2017** | 8 | 152.81 | 22,411.60 | 7,338.43 | 60.34 | 68,477.81 | 10,705.49 | 109,146.48 |
| Amount received during the year | | | 0.19 | | | | | 0.19 |
| **Subtotal** | | **152.81** | **22,411.79** | **7,338.43** | **60.34** | **68,477.81** | **10,705.49** | **109,146.67** |
| **Profit for the year** | | - | - | - | - | 22,978.62 | - | 22,978.62 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | (193.88) | 4,582.65 | 4,388.77 |
| **Total comprehensive income for the year** | | - | - | - | - | **22,784.74** | **4,582.65** | **27,367.39** |
| Dividends paid (including ₹ 421.01 Lakhs tax on dividends) | 25 | - | - | - | - | (2,489.06) | - | (2,489.06) |
| Gain/ (Loss) on fair valuation of preference shares of holding company purchased during the year | | - | - | - | | (236.90) | - | (236.90) |
| **Balance as at 31 March, 2018** | | **152.81** | **22,411.79** | **7,338.43** | **60.34** | **88,536.59** | **15,288.14** | **133,788.10** |
| **Balance as at 1 April, 2016** | 8 | 152.81 | 22,411.60 | 7,338.43 | 60.34 | 65,277.89 | 5,147.93 | 100,389.00 |
| Profit for the year | | - | - | - | - | 6,952.14 | - | 6,952.14 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | (16.44) | 5,347.95 | 5,331.51 |
| Transferred from FVOCI - Equity instrument on account of disposal of investment | | - | - | - | - | (209.61) | 209.61 | - |
| **Total comprehensive income for the year** | | - | - | - | - | **6,726.09** | **5,557.56** | **12,283.65** |
| Dividends paid (including ₹ 596.43 Lakhs tax on dividends) | 25 | - | - | - | - | (3,526.17) | - | (3,526.17) |
| **Balance as at 31 March, 2017** | | **152.81** | **22,411.60** | **7,338.43** | **60.34** | **68,477.81** | **10,705.49** | **109,146.48** |

The accompanying notes form an integral part of these standalone financial statements
This is the Standalone Statement of Changes in equity referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

## CORPORATE INFORMATION

Phillips Carbon Black Limited is a public Company limited by shares and incorporated under the Companies Act in India. The Company is primarily engaged in the business of manufacturing & sale of carbon black and sale of power as detailed under segment information in Note 28. Equity shares of the Company are listed on BSE Limited, National Stock Exchange of India Limited and The Calcutta Stock Exchange Limited. The registered office of the Company is located at Duncan House, 31, Netaji Subhas Road, Kolkata 700001, West Bengal, India.

These standalone financials statements were approved and authorised for issue with the resolution of the Board of Directors on 04 May, 2018.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 1.1.1. Compliance with Ind AS

These standalone financial statements comply in all material respects with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. These standards and policies have been consistently applied to all the years presented. The standalone financial statements are presented in Indian Rupee (₹), which is the Company's functional and presentation currency.

### 1.1.2. Historical cost convention

These standalone financial statements have been prepared on a historical cost basis, except the following, which are measured at fair values:-

i) certain financial assets and liabilities (including derivative instruments);
ii) Plan assets of defined benefit employee benefit plans

### 1.1.3. Current versus Non-current Classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

a. expected to be realised or intended to be sold or consumed in the normal operating cycle,
b. held primarily for the purpose of trading,
c. expected to be realised within twelve months after the reporting period, or
d. cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

a. it is expected to be settled in the normal operating cycle,
b. it is held primarily for the purpose of trading,
c. it is due to be settled within twelve months after the reporting period, or
d. there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

### 1.2. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade and other discounts, rebates, value added taxes, Goods and Services Tax and amounts collected on behalf of third parties.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax/ value added tax (VAT) / Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company regardless of when the payment is being made and specific criteria have been met for each of the Company's activities as described below.

#### Sale of carbon black

Revenue from sale of carbon black is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer as per the terms of contract.

# NOTES TO STANDALONE FINANCIAL STATEMENTS
for the year ended 31 March 2018

**Sale of power**
Revenue from the sale of power is recognised based on the units as transmitted to buyer net of Unscheduled Interchange gains/ losses as per the terms of contract with the customer.

**Other Operating revenues**
Exports entitlements (arising out of duty draw back, Merchandise exports from India and Focused Market Schemes) are recognised when the right to receive credit as per the terms of the schemes is established in respect of the exports made by the Company and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**1.3. Property, plant and equipment**
All items of property, plant and equipment are stated either at historical cost i.e. cost of acquisition / construction or at deemed cost as considered on the date of transition to Ind AS less accumulated depreciation, impairment loss, if any. Capital work in progress is stated at cost, net of accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit and loss during the reporting period in which they are incurred.

### 1.3.1. Depreciation methods, estimated useful lives and residual value
In case of certain property, plant and equipment, depreciation is provided on a pro-rata basis on the straight line method over the estimated useful lives of the assets which are different than the rates prescribed under the Schedule II to the Companies Act 2013 are as follows:

| Assets | Useful life |
|---|---|
| Plant & Equipment and Electrical Installations | 18 to 20 Years |

The Company, based on technical assessment made by technical expert and management estimate, depreciates certain items of Plant & Equipment and Electrical Installations over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation on historical cost/deemed cost of other property, plant and equipment (except land) is provided on pro-rata basis on straight line method based on useful lives specified in Schedule II to the Companies Act, 2013.

The useful lives, residual values and method of depreciation of property plant and equipment are reviewed and adjusted.

An item of property, plant and equipment or its components recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The cost of property plant and equipment not ready for intended to use are disclosed under capital work in progress.

### 1.3.2. Intangible assets
Intangible assets have a finite useful life and are stated at cost less accumulated amortisation, impairment loss, if any.

Computer Software for internal use, which is primarily acquired from third party vendors, is capitalised. Subsequent costs associated with maintaining such software are recognised as expense as incurred. Cost of software includes license fees and cost of implementation / system integration services, where applicable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

1.3.2.1. Amortisation method and period
Computer software are amortized on a straight line basis over estimated useful life of three years from the date of capitalisation.

Amortisation method and useful lives are reviewed periodically at each financial year end.

1.3.2.2. Research and development
Research costs are expensed as incurred. Expenditure on development that does not meet the specified criteria under Ind AS 38 'Intangible Assets' is recognised as expense as incurred.

### 1.3.3. Investment Property
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

### 1.4. Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

### 1.5. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**As a lessee**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of profit and loss on a straight line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

### 1.6. Inventories

Inventories are stated at lower of cost and net realisable value.

Costs incurred in bringing the goods to their present location and condition are accounted for as follows:

- Raw materials, Stores and Spares and Packing Material: cost is determined on moving weighted average method and includes cost of purchase and other incidental costs However, material and other items held for use in production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 1.7. Investment in Subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment losses, if any. Investments are tested for impairment whenever an event or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of investments exceeds its recoverable amount. If, in a subsequent period, recoverable amount equals or exceeds the carrying amount, the impairment loss recognised is reversed accordingly.

### 1.8. Investment and other financial assets (other than Investments in Subsidiaries)

#### 1.8.1. Classification

The Company classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

b) those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of cash flows.

For assets measured at fair value, gains and losses is either recorded in the statement of profit and loss or other comprehensive income. For investments in debt instruments, this depends on the business model in which the investment is held. For investments in equity instruments, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies the debt investments when and only when the business model for managing those assets changes.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 1.8.2. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit and loss.

#### (a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortised cost:** The Company measures trade receivables, loans, cash and cash equivalents, other bank balances and other financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in the statement of profit or loss when the asset is derecognised or impaired.

**Fair value through profit and loss:** The Company measures investment in preference shares and mutual funds at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of profit and loss and presented on net basis in the statement of profit and loss within other income/ other expense in the period in which it arises.

#### (b) Equity instruments

The Company subsequently measures all equity investments at fair value through Other Compressive Income and there is no subsequent reclassification of fair value gains and losses to the statement of profit and loss. At the time of derecognition of such investments, the gain or loss is transferred to retained earnings.

### 1.8.3.Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Company determines whether there has been a significant increase in credit risk.

### 1.8.4. Derecognition of financial assets

A financial asset is derecognised only when

- The rights to receive cash flows from the asset have expired
- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

The financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### 1.8.5. Income recognition

a. Interest Income

Interest Income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

b. Dividends

Dividends are recognised in the statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the company, and the amount of the dividend can be measured reliably which is generally when shareholders approve the dividend.

### 1.8.6. Fair value of Financial Instruments

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair values includes discounted cash flow analysis and available quoted market prices. All methods of assessing fair values result in general approximation of fair values and such value may never actually be realised.

## 1.9. Derivatives Instruments

The Company enters into certain derivative contracts to hedge risks, which are not designated as hedges. Derivatives are recognised at fair values on the date a derivative contract is entered into and subsequent fair value changes are recognised in the statement of profit and loss at the end of each reporting period.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 1.10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 1.11. Trade receivables

Trade receivables are amounts receivable from customers for goods sold in the ordinary course of business. Trade receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 1.12. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 1.13.Trade Payables

Trade payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 1.14.Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the EIR method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be utilised. In this case, the fee is deferred until the draw down occurs. Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current and non-current liabilities based on repayment schedule agreed with banks.

### 1.15. Borrowing Cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

### 1.16.Foreign currency transactions and translation

#### 1.16.1. Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. At the year end, monetary assets and liabilities denominated in foreign currencies are restated at the year-end exchanges rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income/ other expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### 1.17.Employee benefits

#### 1.17.1. Short term employee benefits

Liabilities for short term employee benefits that are expected to be settled wholly within 12 months after the end of the period are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits payable in the balance sheet.

#### 1.17.2.Post-employment benefits

**Defined benefit plans**

a. The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefits obligation at the end of the reporting

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method at the year end.

b. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligations.

c. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in Employees Benefits Expense in the statement of profit and loss.

d. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in retained earnings in the statement of changes in equity.

e. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the profit or loss as past service cost.

**Defined contribution plans**

Contributions under Defined Contribution Plans payable in keeping with the related schemes are recognised as expenses for the period in which the employee has rendered the service.

### 1.17.3. Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured annually by actuaries as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields on Government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of profit and loss.

### 1.18. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect of situation in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting profit/ loss nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax assets. The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which arise and reverse during the tax holiday period,

# NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31 March 2018

to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Company restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

### 1.19. Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources embodying economic benefits will be required to settle or a reliable estimate of the amount cannot be made.

### 1.20. Earnings per share

#### 1.20.1. Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the equity by the weighted average number of equity shares outstanding during the financial year.

The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

#### 1.20.2.Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

### 1.21. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Managing Director of the Company. Refer note 28 for segment information presented.

### 1.22. Business Combinations

"A common control business combination, involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and where the control is not transitory, is accounted for using the pooling of interests method. Other business combinations, involving entities or businesses are accounted for using acquisition method.

### 1.23. Recent Accounting Pronouncements

**Standards issued but not yet effective**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

**Ind AS 115 Revenue from Contracts with Customers**

The Company is currently evaluating the impact of implementation of Ind AS 115 "Revenue from Contracts with Customers" which is applicable to it w.e.f 01.04.2018. However, based on the evaluation done so far and based on the arrangement that the Company has with its customers for sale of its products, the implementation of Ind AS 115 will not have any significant impact on the profit or loss of the Company.

### 1.24. Rounding of amounts

All amounts disclosed in the standalone Financial Statements and notes have been rounded off to the nearest Lakhs (with two places of decimal) as per the requirement of Schedule III, unless otherwise stated.

# NOTES TO STANDALONE FINANCIAL STATEMENTS
for the year ended 31 March 2018

## NOTE 2: CRITICAL ESTIMATES AND JUDGEMENT

The preparation of standalone financial statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and reported amounts of assets, liabilities, income, expense and disclosure of contingent assets and liabilities at the date of these standalone financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each Balance Sheet date. Revision to accounting estimates is recognised in the period in which the estimates are revised and future periods impacted.

**The areas involving critical estimates and assumptions of judgments are:**

Employee Benefits (Estimation of defined benefit obligation)

Post-employment benefits represents obligation that will be settled in future and require assumptions to project benefit obligations. Post-employment benefits accounting is intended to reflect the recognition of future benefits cost over the employee's approximate service period, based on the terms of plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as discount rate, rate of compensation increase and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and benefit costs incurred.

**Estimation of expected useful lives and residual values of property, plants and equipment**

Property, plant and equipment are depreciated at historical cost using straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life are based on the Company's best estimates and reviewed, and adjusted if required, at each Balance Sheet date.

**Contingent Liabilities**

Legal proceedings covering a range of matters are pending against the Company. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcomes. The cases and claims against the Company often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law, in the normal course of business. The Company consults with legal counsel and certain other experts on matters related to litigations. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

**Fair Value Measurements**

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques which involve various judgements and assumptions. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments. Refer note 29 for further disclosures.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

## NOTE 3(a) PROPERTY, PLANT AND EQUIPMENT

(All amounts in ₹ Lakhs, unless otherwise stated)

### TANGIBLE ASSETS

| | Freehold Land | Leasehold Land | Buildings (i) | Non-Factory Buildings and Flats | Plant and Equipment | Furniture and Fixtures | Office Equipment | Vehicles | Electrical Installations | Railway Sidings | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | | | | | | | |
| **Gross carrying amount** | | | | | | | | | | | |
| Opening balance as at 01 April, 2017 | 20,206.19 | 40,399.40 | 7,121.59 | 5,013.55 | 74,963.46 | 143.58 | 477.13 | 25.42 | 2,163.46 | 1.40 | 150,515.18 |
| Additions during the year | - | 2,521.08 | 164.77 | 796.66 | 3,562.14 | 21.03 | 90.92 | - | 28.42 | - | 7,185.02 |
| Disposals during the year | - | - | - | - | (295.74) | (3.91) | (0.49) | (7.48) | - | - | (307.62) |
| **Closing Gross carrying amount** | **20,206.19** | **42,920.48** | **7,286.36** | **5,810.21** | **78,229.86** | **160.70** | **567.56** | **17.94** | **2,191.88** | **1.40** | **157,392.58** |
| **Accumulated Depreciation** | | | | | | | | | | | |
| Opening balance as at 01 April, 2017 | - | - | 608.09 | 225.89 | 10,623.30 | 50.90 | 261.07 | 18.34 | 420.55 | 1.40 | 12,209.54 |
| Depreciation charge during the year | - | - | 309.82 | 118.64 | 5,294.13 | 20.89 | 110.30 | 2.09 | 194.01 | - | 6,049.88 |
| Adjustment of depreciation on disposals | - | - | - | - | (283.10) | (2.68) | (0.33) | (7.48) | - | - | (293.59) |
| **Closing Accumulated Depreciation** | **-** | **-** | **917.91** | **344.53** | **15,634.33** | **69.11** | **371.04** | **12.95** | **614.56** | **1.40** | **17,965.83** |
| **Net Carrying Amount** | **20,206.19** | **42,920.48** | **6,368.45** | **5,465.68** | **62,595.53** | **91.59** | **196.52** | **4.99** | **1,577.32** | **0.00** | **139,426.75** |
| | | | | | | | | | | | |
| **Year ended 31 March 2017** | | | | | | | | | | | |
| **Gross carrying amount** | | | | | | | | | | | |
| Opening balance as at 01 April 2016 | 20,653.92 | 40,399.40 | 7,035.07 | 4,988.69 | 71,988.70 | 144.12 | 350.83 | 29.18 | 2,142.01 | 1.40 | 147,733.32 |
| Reclassified to Investment Property | (447.73) | - | - | - | - | - | - | - | - | - | (447.73) |
| Additions during the year | - | - | 86.52 | 24.86 | 2,974.76 | 3.62 | 127.33 | 0.04 | 22.96 | - | 3,240.09 |
| **Disposals during the year** | - | - | - | - | - | (4.16) | (1.03) | (3.80) | (1.51) | - | (10.50) |
| **Closing Gross carrying amount** | **20,206.19** | **40,399.40** | **7,121.59** | **5,013.55** | **74,963.46** | **143.58** | **477.13** | **25.42** | **2,163.46** | **1.40** | **150,515.18** |
| Accumulated Depreciation | | | | | | | | | | | |
| Opening balance as at 01 April,2016 | - | - | 302.24 | 116.52 | 5,333.83 | 27.55 | 148.93 | 13.69 | 217.67 | 1.40 | 6,161.83 |
| Depreciation charge during the year | - | - | 305.85 | 109.37 | 5,289.47 | 23.99 | 112.33 | 4.75 | 202.89 | - | 6,048.65 |
| **Adjustment of depreciation on disposal** | - | - | - | - | - | (0.64) | (0.19) | (0.10) | (0.01) | - | (0.94) |
| **Closing Accumulated Depreciation** | **-** | **-** | **608.09** | **225.89** | **10,623.30** | **50.90** | **261.07** | **18.34** | **420.55** | **1.40** | **12,209.54** |
| **Net Carrying Amount** | **20,206.19** | **40,399.40** | **6,513.50** | **4,787.66** | **64,340.16** | **92.68** | **216.06** | **7.08** | **1,742.91** | **-** | **138,305.64** |

(i) Cost and accumulated depreciation include ₹ 4,775.02 Lakhs (31 March, 2017 - ₹ 4,614.66 Lakhs) and ₹ 506.30 Lakhs (31 March, 2017 - ₹ 334.19 Lakhs), respectively in respect of Buildings on Leasehold Land.

(ii) Title deed of the above immovable properties are held in the name of the Company except leasehold land amounting to ₹ 2,521.08 Lakhs (31 March, 2017 - ₹ Nil) for which execution of leasehold deed is pending.

(iii) The Company has borrowings from banks, which carry security charge over certain of the above property, plant and equipment. (Refer note 9(a) for details).

(iv) Gross carrying amount on leasehold land represents amount paid under certain lease agreements where the Company has an option to renew the properties on expiry of the lease period.

(v) Aggregate amount of depreciation has been included under depreciation and amortization expenses in the Statement of Profit and Loss (Refer note 19).

(vi) The Company based on terms and conditions of lease agreements has assessed these lease arrangements to be perpetual in nature, accordingly leasehold land is not amortised.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 3(b) INVESTMENT PROPERTIES

| Particulars | Total |
|---|---|
| **Year ended 31 March, 2018** | |
| Opening gross carrying amount as at 1 April, 2017 | 447.73 |
| **Closing gross carrying amount** | **447.73** |
| **Year ended 31 March, 2017** | |
| Opening gross carrying amount as at 1 April, 2016 | - |
| Reclassification from freehold land [Refer Note 3(a)] | 447.73 |
| **Closing gross carrying amount** | **447.73** |
| As at 31 March, 2018 | 447.73 |
| As at 31 March, 2017 | 447.73 |

### Estimation of fair value

The fair value of the investment property approximates to it's carrying amount stated above and is based on current prices for similar property. The main inputs used are quantum, area, location, demand, and trend of fair market value in the area.

The fair value is determined by an accredited independent valuer. Fair valuation is based on market approach method and categorised as Level 2 fair value hierarchy.

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

## NOTE 3(c) CAPITAL WORK-IN-PROGRESS

| Particulars | Total |
|---|---|
| **Year ended 31 March, 2018** | |
| Opening gross carrying amount as at 1 April, 2017 | 7,375.79 |
| Additions during the year | 5,852.52 |
| Capitalization during the year | (6,543.88) |
| **Closing gross carrying amount** | **6,684.43** |
| **Year ended 31 March, 2017** | |
| Opening gross carrying amount as at 1 April, 2016 | 7,333.63 |
| Additions during the year | 3,976.25 |
| Written-off during the year | (694.00) |
| Capitalization during the year | (3,240.09) |
| **Closing gross carrying amount** | **7,375.79** |

1. Capital work in progress includes the following expenses capitalised during the year ended :

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Finance Cost** | 55.78 | - |
| Salaries and wages | 263.65 | - |
| **Total** | **319.43** | **-** |

## NOTE 3(d) INTANGIBLE ASSETS

| Particulars | Computer Software - Acquired |
|---|---|
| **Year ended 31 March, 2018** | |
| **Gross carrying amount** | |
| Opening balance as at 1 April, 2017 | 63.96 |
| Additions during the year | 47.15 |
| **Closing gross carrying amount** | **111.11** |
| **Accumulated amortisation** | |
| Opening balance as at 1 April, 2017 | 63.96 |
| Amortisation charge during the year | 2.51 |
| **Closing accumulated amortisation** | **66.47** |
| **Net carrying amount** | **44.64** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Particulars | Computer Software - Acquired |
|---|---|
| **Year ended 31 March, 2017** | |
| **Gross carrying amount** | |
| Opening balance as at 1 April, 2016 | 63.96 |
| **Closing gross carrying amount** | **63.96** |
| **Accumulated amortisation** | |
| Opening accumulated amortisation | 50.63 |
| Amortisation charge during the year | 13.33 |
| **Closing accumulated amortisation** | **63.96** |
| **Net carrying amount** | - |

1. Amortisation has been included under depreciation and amortisation expenses in the Statement of Profit and Loss (Refer note 19).

## NOTE 4 (a) : INVESTMENTS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-Current** | | |
| **Investments in Equity Instruments (fully paid-up) - Subsidiary Company** | | |
| **Unquoted** | | |
| Phillips Carbon Black Cyprus Holdings Limited | 2,164.91 | 2,164.91 |
| 18,118 (31 March, 2017: 18,118) equity shares of Euro 1/- each | | |
| **Investments in Equity Instruments (fully paid-up) - Other body corporate** | | |
| **Quoted** | | |
| Bank of Baroda | 51.13 | 62.14 |
| 35,930 (31 March, 2017: 35,930) equity shares of ₹ 2/- each $ | | |
| Indian Overseas Bank | 1.99 | 3.04 |
| 11,400 (31 March, 2017: 11,400) equity shares of ₹ 10/- each $ | | |
| Norplex Oak India Limited | - | - |
| 380,000 (31 March, 2017: 380,000) equity shares of ₹ 10/- each ^ | | |
| Maple Circuits Limited | - | - |
| 765,000 (31 March, 2017: 765,000) equity shares of ₹ 10/- each ^ | | |
| CESC Limited | 16,292.05 | 14,184.30 |
| 1,686,198 (31 March, 2017: 1,686,198) equity shares of ₹ 10/- each $ | | |
| **Unquoted** | | |
| Apeejay Charter Private Limited | 0.16 | 0.16 |
| 1,600 (31 March, 2017: 1600) equity shares of ₹ 10/- each $ | | |
| Accurate Commodeal Private Limited | 248.39 | 33.19 |
| 390,000 (31 March, 2017: 390,000) equity shares of ₹10/- each $ | | |
| Woodlands Multispeciality Hospital Limited | 247.34 | 243.63 |
| 145,480 (31 March, 2017: 145,480) equity shares of ₹10/- each $ | | |
| Ritushree Vanijya Private Limited | 1,530.92 | 0.19 |
| 1,900 (31 March, 2017:1900) Fully paid Equity Shares of ₹10/- each $ | | |
| Solty Commercial Private Limited | 1,530.89 | 0.19 |
| 1,900 (31 March, 2017:1900) Fully paid Equity Shares of ₹10/- each $ | | |
| Subhrashi Vinimay Private Limited | 1,752.39 | 1,523.82 |
| 13,000,000 (31 March, 2017: 13,000,000) equity shares of ₹ 10/- each $ | | |
| Fairluck Commercial Company Limited | 1,020.54 | - |
| 6,670,000 (31 March, 2017: 6,670,000) equity shares of ₹ 10/- each $ | | |
| Spotboy Tracom Private Limited | 1,342.94 | 862.99 |
| 330,875 (31 March, 2017: 330,875) equity shares of ₹10/- each $ | | |
| Elphinstone Properties (P) Ltd. | 690.34 | - |
| 45,00,000 (31 March, 2017: Nil) equity shares of ₹10/- each $ | | |
| RPG Industries (P) Ltd. | 245.22 | - |
| 402,000 (31 March, 2017: Nil) equity shares of ₹10/- each $ | | |
| **Investments in Preference Shares (fully paid-up) - Other body corporate** | | |
| Rainbow Investments Limited | 4,249.67 | 2,665.73 |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| 4,775,000 (31 March, 2017: 3,175,000) 2% cumulative non convertible redeemable preference shares of ₹ 100 each # | | |
| Devise Properties Private Ltd. | 1,249.50 | - |
| 1,050,000 (31 March, 2017: Nil) 0% Convertible Preference Shares of ₹ 100/- each at par # | | |
| Lebnitze Real Estate (P) Ltd. | 1,122.05 | - |
| 950,000 (31 March, 2017: Nil) 0% Convertible Preference Shares of ₹ 100/- each at par # | | |
| Norplex Oak India Limited | - | - |
| 50 (31 March, 2017: 50) preference shares of ₹ 100/- each ^ | | |
| Maple Circuits Limited | - | - |
| 50 (31 March, 2017: 50) preference shares of ₹ 100/- each ^ | | |
| | **33,740.43** | **21,744.29** |
| Less: Impairment in value of Investment in Phillips Carbon Black Cyprus Holding Limited (Refer Note 3 below) | - | (345.13) |
| | **33,740.43** | **21,399.16** |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| **Investments in Mutual Funds #** | | |
| **Unquoted** | | |
| Principal Cash management Fund - Direct Plan Growth | - | 5,001.66 |
| NIL (31 March, 2017: 315,752.87) of face value ₹ 1,000/- each | | |
| ICICI Prudential Liquid - Direct Plan Growth | - | 2,500.75 |
| NIL (31 March, 2017: 1,038,874.26) of face value ₹ 1,000/- each | | |
| Kotak Floater Mutual Fund - Direct Plan Growth | - | 2,000.56 |
| NIL (31 March, 2017:74,944.79) of face value ₹ 1,000/- each | | |
| | **-** | **9,502.97** |
| 1 Additional Information | | |
| (a) Aggregate amount - market value of quoted investments | 16,345.17 | 14,249.48 |
| (b) Aggregate amount of unquoted investments | 17,395.26 | 16,997.78 |
| (c) Aggregate amount of impairment in value of investments | - | 345.13 |
| # Investments carried at Fair value through profit or loss | | |
| $ Investments carried at Fair value through Other Comprehensive Income (FVOCI) - Refer note 2 below | | |
| ^ The cost of quoted and unquoted investments in equity instruments (fully paid up) and preference shares (fully paid up) respectively have been written off in the past, though quantity thereof appears in the books | | |
| 2 These investments in equity instruments are not held for trading. Upon the application of Ind AS 109, the company has chosen to designate these investments in equity instruments as at FVOCI as the management believes that this provides a more meaningful presentation for long term investments, than reflecting changes in fair values immediately in statement of profit and loss. Based on the aforesaid election, fair value changes are accumulated within Equity under "Fair Value Changes through Other Comprehensive Income - Equity Instruments". The Company transfers amounts from this reserve to retained earnings when relevant equity shares are derecognized. | | |
| 3 The company has reversed past impairment losses amounting to ₹ 345.13 lakhs consequent to gain on disposal of land at the subsidiary company, thereby confirming recoverability of the company's investment in such subsidiary; actual recovery would happen upon completion of necessary compliance procedures in relation to the subsidiary companies | | |
| 4 Refer note 29 for information about fair value measurements and note 30 for credit risk and market risk on investments. | | |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 4 (b) : TRADE RECEIVABLES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Secured** | | |
| Considered Good | 70.00 | 50.00 |
| **Unsecured** | | |
| Considered Good | 52,127.46 | 46,515.61 |
| Considered doubtful | 847.15 | 1,443.64 |
| Less : Allowance for doubtful debts / expected credit loss | (847.15) | (1,443.64) |
| | **52,197.46** | **46,565.61** |

## NOTE 4 (c) : CASH AND CASH EQUIVALENTS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Balances with banks | 907.02 | 1,636.91 |
| Deposits with original maturity of less than three months | 10,000.00 | - |
| Remittances in transit | 2,375.67 | 589.91 |
| Cash on Hand | 2.48 | 6.53 |
| | **13,285.17** | **2,233.35** |

There are no utilisation restrictions with regard to cash and cash equivalents as at the end of the year ended 31 March, 2018 and 31 March, 2017.

## NOTE 4 (d) : OTHER BANK BALANCES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Balances with Banks | | |
| - In Unpaid Dividend Accounts * | 97.13 | 129.75 |
| | **97.13** | **129.75** |

* Earmarked for payment of Unclaimed Dividends

## NOTE 4 (e) : LOANS

**(Unsecured considered good)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Security deposits | 1,232.39 | 1,219.73 |
| Loan to Related Party | | |
| Phillips Carbon Black Cyprus Holding Limited (Subsidiary) (Refer Note 27) | 511.91 | 465.38 |
| Other Loans | | |
| Loan to Employees @ | 87.50 | 105.89 |
| | **1,831.80** | **1,791.00** |
| @ Includes amount due from an officer of the Company | 17.50 | - |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Security deposits | 11.80 | 14.63 |
| Other Loans | | |
| Loan to Employees @ | 33.79 | 36.00 |
| | **45.59** | **50.63** |
| @ Includes amount due from an officer of the Company | **6.00** | **0.02** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 4 (f) : OTHER FINANCIAL ASSETS

**(Unsecured considered good)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-Current** | | |
| Margin Money Deposit against guarantees | 139.20 | 139.20 |
| | **139.20** | **139.20** |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Interest Receivable | 84.38 | 52.83 |
| Derivative Instruments not designated as hedges $ | 131.16 | - |
| - Foreign Exchange Forward Contracts | | |
| Unbilled Revenue from sale of power | 242.60 | 91.24 |
| | **458.14** | **144.07** |

$ Financial assets carried at fair value through profit and loss

## NOTE 5 : OTHER ASSETS

**(Unsecured considered good, unless otherwise stated)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Capital advances | | |
| - Considered Good : | 4,041.58 | 338.38 |
| - Considered Doubtful : | 45.62 | 45.62 |
| Less : Allowance for doubtful advances | (45.62) | (45.62) |
| Deposits under dispute | 586.74 | 527.04 |
| Others | | |
| Prepaid Expenses | 92.23 | 106.32 |
| | **4,720.55** | **971.74** |
| **Current** | | |
| Advances to Suppliers/ Service providers (other than capital) | | |
| - Considered Good : | 303.05 | 815.19 |
| - Considered Doubtful : | 16.18 | 16.18 |
| Less : Allowance for doubtful advances | (16.18) | (16.18) |
| Balances with Government Authorities * | | |
| - Considered Good : | 326.43 | 1,484.23 |
| - Considered Doubtful : | 216.46 | 216.46 |
| Less : Allowance for doubtful advances | (216.46) | (216.46) |
| Advances to Employees | 77.21 | 76.77 |
| Prepaid Expenses | 510.12 | 364.98 |
| Export Benefit Receivables # | 609.49 | 600.55 |
| | **1,826.30** | **3,341.72** |

'* Balances with Government Authorities primarily include amounts realisable from the GST Authorities and customs authorities of India and the unutilised GST input credits on purchases to be utilised against future GST liabilities. These are generally realised within one year and hence these balances have been classified as current assets.

# Export Benefit Receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 6 : INVENTORIES

**(At lower of cost and net realisable value)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Raw materials | 23,158.49 | 16,497.90 |
| Finished goods | 2,771.72 | 3,613.43 |
| Stores and spares parts (including packing material) | 5,059.95 | 4,240.99 |
| | **30,990.16** | **24,352.32** |

## NOTE 7: EQUITY SHARE CAPITAL

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Authorized** | | |
| 62,000,000 (31 March, 2017: 62,000,000) equity shares of ₹10/- each | 6,200.00 | 6,200.00 |
| **Issued, subscribed and paid-up** | | |
| 34,467,572 (31 March, 2017: 34,467,572 equity shares of ₹10 each fully paid up (Refer (i) below) | 3,446.77 | 3,446.77 |
| Less : Allotment money receivable | - | (0.04) |
| | **3,446.77** | **3,446.73** |

(i) There was no change in number of shares issued during the year ended 31 March, 2018 and 31 March, 2017. No additional shares were allotted as fully paid up by way of bonus shares or pursuant to contract(s) without payment being received in cash during the last five years. Further, none of the shares were bought back by the Company during the last five years.

(ii) Pursuant to the Special Resolution passed by the Shareholders by way of Postal Ballot on 03 April, 2018, the Company had sub-divided 1 Equity Share of face value of ₹ 10/- per share, fully paid-up into 5 Equity Shares of face value of ₹ 2/- per share, fully paid up, effective from 21 April, 2018.

(iii) Details of equity shares held by the Holding Company and shareholders holding more than 5% of the aggregate shares in the Company :-

| | No of Shares (Holding %) | |
|---|---|---|
| | As at 31 March, 2018 | As at 31 March, 2017 |
| Rainbow Investments Limited - Holding Company | 17,303,074 | 17,303,074 |
| | (50.20%) | (50.20%) |

**(iv) Terms/ Rights attached to equity shares**

The Company has one class of equity shares and each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(v) Allotment of 1823 shares is pending against rights issue made during 1993-94.

(vi) 48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 8: OTHER EQUITY

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **(i)** | **Reserves and Surplus** | | |
| | Capital Reserve (Refer a below) | 152.81 | 152.81 |
| | Securities Premium Reserve (Refer b below) | 22,411.79 | 22,411.60 |
| | Statutory reserve (U/s 45IC of Reserve Bank of India Act, 1934) (Refer c below) | 60.34 | 60.34 |
| | General reserve (Refer d below) | 7,338.43 | 7,338.43 |
| | Retained Earnings (Refer e below) | 88,536.59 | 68,477.81 |
| **(ii)** | **Other Reserves** | | |
| | Equity Instruments through Other comprehensive income (Refer f below) | 15,288.14 | 10,705.49 |
| | | **133,788.10** | **109,146.48** |
| (a) | Capital reserve represents amount transferred from the transferor company pursuant to a Scheme of Amalgamation | 152.81 | 156.81 |
| | Capital Reserve arisen pursuant to the Scheme of Amalgamation | - | (4.00) |
| | Total Capital Reserve | **152.81** | **152.81** |
| (b) | Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013 | | |
| | Balance as at the beginning of the year | 22,411.60 | 22,411.60 |
| | Add: Amount received during the year | 0.19 | - |
| | **Balance as at the end of the year** | **22,411.79** | **22,411.60** |
| (c) | Statutory Reserve represents amount transferred from Transferor Company pursuant to a Scheme of Amalgamation | 60.34 | 60.34 |
| **(d)** | **General Reserve** | 7,338.43 | 7,338.43 |
| | Under the erstwhile Indian Companies Act, 1956, a general reserve was created through an annual transfer of net profit at a specified percentage in accordance with applicable regulations. Consequent to introduction of Companies Act, 2013, the requirement to mandatory transfer a specified percentage of the net profit to general reserve has been withdrawn though the Company may transfer such percentage of its profits for the financial year as it may consider appropriate. Declaration of dividend out of such reserve shall not be made except in accordance with rules prescribed in this behalf under the Act. | | |
| **(e)** | **Retained Earnings** | | |
| | Balance as at the beginning of the year | 68,477.81 | 65,277.89 |
| | Profit for the year | 22,978.62 | 6,952.14 |
| | Items of other comprehensive income recognised directly in Retained Earnings | | |
| | - Remeasurement of post-employment defined benefit obligation, net of tax | (193.88) | (16.44) |
| | - Transferred from FVOCI - Equity instrument on account of disposal of investment | - | (209.61) |
| | Dividends paid (including ₹ 421.01 Lakhs (Previous year ₹ 596.43 Lakhs) tax on dividends (Refer note 25) | (2,489.06) | (3,526.17) |
| | Gain/(Loss) on fair valuation of preference shares of holding company purchased during the year | (236.90) | - |
| | **Balance as at the end of the year** | **88,536.59** | **68,477.81** |
| | **Total Retained Earnings** | **88,536.59** | **68,477.81** |
| | Retained Earnings are the profits and gains that the Company has earned till date and adjustments done on transition to Ind AS, less any transfer to general reserve, dividends or other distributions paid to shareholders. | | |
| **(f)** | **Other Comprehensive Income** | | |
| | Balance as at the beginning of the year | 10,705.49 | 5,147.93 |
| | Changes in fair value of FVOCI Equity Instruments, net of tax | 4,582.65 | 5,347.95 |
| | Transferred to Retained Earnings on account of disposal of investment | - | 209.61 |
| | **Balance as at the end of the year** | **15,288.14** | **10,705.49** |
| | The Company has elected to recognise changes in the fair value of certain investments in equity instruments in Other Comprehensive Income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to Retained Earnings when the relevant equity shares are derecognised. | | |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 9(a): BORROWINGS

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (i) | **Non-current borrowings** | | |
| | SECURED LOANS | | |
| | Term loans from Banks | 19,469.79 | 21,006.77 |
| | Less: Current maturities of Long Term Debt [included in Note 9(c)] | (3,044.30) | (1,990.52) |
| | | **16,425.49** | **19,016.25** |

**Nature of Security**

Term loan from bank amounting to ₹ 4983.18 Lakhs (31 March, 2017: Nil) is secured by way of a hypothecation over all moveable properties both present and future, ranking pari passu with the charges created in favour of other lenders of the Company by way of hypothecation and mortgage on pari-passu basis with other term lenders.

**Terms of Repayment**

Loan availed is repayable in 10 equal semi-annual installments. First installment being due on 15 June, 2018 and ending on 15 December, 2022.

**Nature of Security**

Term loan from bank amounting to ₹ 453.64 Lakhs (31 March, 2017: ₹5,026.79 Lakhs) is secured by way of first charge on fixed assets both present and future, of the Company by way of hypothecation and mortgage on pari-passu basis with other term lenders. Second charge on all current assets (present & future) of company on pari passu basis.

**Terms of Repayment**

Loan availed for ₹ 10,000 Lakhs is repayable in 22 equal quarterly installments. First installment being due after a moratorium period of 18 months from the date of disbursement i.e. on 21 August, 2015.

**Nature of Security**

Term loan from bank amounting to ₹13,500 Lakhs (31 March, 2017: ₹ 15,471.47 Lakhs) is secured by first charge on the entire fixed assets of the company both present and future: The above security to be shared on pari passu basis amongst lenders.

**Terms of Repayment**

Loan availed for ₹ 16,000 Lakhs is repayable in 32 equal quarterly installments of the total amount drawn under the said facility starting from 31 March, 2017.

**Nature of Security**

Term loan from bank amounting to ₹ 564.90 Lakhs (31 March, 2017: ₹ 564.90 Lakhs) is secured by pari passu first charge on the entire fixed assets both present and future, moveable and immovable

Second pari passu charge by way of hypothecation of the entire current assets of the Company (both present and future)

**Terms of Repayment**

Loan availed for ₹ 564.90 Lakhs repayable in 28 quarterly installments as follows after 1 year of moratorium from the date of first disbursal (29 March, 2017). Repayment to start from 30 June, 2018

1) 2nd Year-10%
2) 3rd Year-12.50%
3) 4th Year-12.50%
4) 5th Year-15%
5) 6th Year-15%
6) 7th Year-17.50%
7) 8th Year-17.50%

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **(ii) Current Borrowings** | | |
| SECURED LOANS FROM BANKS | | |
| Loans repayable on demand | 13,176.83 | 5,463.15 |
| Other loans | 6,115.39 | 11,688.35 |
| **Nature of Security**<br>Secured by first charge by way of hypothecation of all the Company's current assets, namely all the stock of raw material, stock in process, semi finished goods and finished goods, consumable stores and spares not relating to plant and machinery (consumable and spares) both present and future, bills receivable, bills whether documentary or clean, outstanding monies, receivable, book debts and all other current assets of the Company both present and future , ranking pari passu without any preference or priority of one over the others and also by second charge on the company's immovable and movable fixed assets, both present and future ranking pari passu without any preference or priority of one over the others. | | |
| UNSECURED LOANS | | |
| Loans repayable on demand | | |
| - From Banks | 32,971.08 | 31,535.80 |
| - From Others | - | 6,127.00 |
| | **52,263.30** | **54,814.30** |

Balance outstanding as at 31 March, 2018 in respect of Commercial Paper was ₹ Nil (31 March, 2017: Nil). Maximum amount outstanding at any time during the year was ₹ 10,000 Lakhs (2016-17: ₹ 29,000 Lakhs,)

Refer notes 3(a), 4(b), 4(c), 4(e) and 4(f) for details of assets pledged as security as set out in the above note. Refer note 30 for information about liquidity risk and market risk on borrowings.

## NOTE 9(b): TRADE PAYABLES

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **Current** | | | |
| Total outstanding of dues to Micro Enterprises and Small Enterprises | | 102.17 | 5.51 |
| Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises | | 37,926.87 | 41,420.29 |
| | | **38,029.04** | **41,425.80** |
| **Information relating to Micro, Small and Medium Enterprises (MSME)s:** | | | |
| (i) | The Principal amount and interest due there on remaining unpaid to suppliers under Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | Principal | 87.04 | 0.76 |
| | Interest | 7.31 | 0.11 |
| (ii) | The amount of interest paid by the buyer in terms of section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to suppliers beyond the appointed day during the year | | |
| | Principal | - | - |
| | Interest | - | - |
| (iii) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | Principal | 340.25 | 114.45 |
| | Interest | 3.07 | 0.43 |
| (iv) | The amount of interest accrued and remaining unpaid at the end of the year being interest outstanding as at the beginning of the accounting year. | 15.13 | 4.75 |
| (v) | The amount of further interest remaining due and payable even in the succeeding years, until such date when interest dues above are actually paid to the small enterprise, for the purpose of disallowance as deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act,2006 | 10.38 | 0.54 |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 9(c): OTHER FINANCIAL LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Current maturities of long term debt | 3,044.30 | 1,990.52 |
| Interest accrued but not due | 337.64 | 98.13 |
| Unpaid dividends [Refer Note (i) below] | 97.13 | 129.75 |
| **Others:** | | |
| Security deposits received | 100.99 | 81.50 |
| Employee benefits payable | 1,262.68 | 455.13 |
| Capital creditors | 961.45 | 752.50 |
| Directors' fees & commission payable | 900.00 | - |
| Derivative instrument not designated as hedges - foreign-exchange forward contracts | - | 1,402.57 |
| Other financial liability | 940.15 | 145.91 |
| | **7,644.34** | **5,056.01** |

(i) There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at the year end.

## NOTE 10: PROVISIONS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Provision for Employee Benefits (Refer Note 10.2) | | |
| Provision for post retirement medical liability and Others | 70.05 | 66.08 |
| | **70.05** | **66.08** |
| **Current** | | |
| Provision for Employee Benefits (Refer Note 10.2) | | |
| Provision for gratuity | 626.45 | 425.58 |
| Provision for compensated absences | 756.84 | 558.84 |
| Provision for post retirement medical liability/others | 10.12 | 9.23 |
| Provisions for claims and litigations (refer note 10.1) | 6,257.03 | 466.66 |
| | **7,650.44** | **1,460.31** |

### 10.1 Provisions for claims and litigations

The Company has estimated the provisions for pending claims and litigations based on the assessment of probability for these demands being crystallising against the Company in due course. The table below gives information about movement in claims and litigations, and provisions

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| At the beginning of the year | 466.66 | - |
| Add: Arisen during the year | 5,790.37 | 466.66 |
| At the end of the year | **6,257.03** | **466.66** |

### 10.2: Employee Benefits:

(I) Leave Obligations

The Company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number days of unutilised leave at each balance sheet date on the basis of year-end actuarial valuation using projected unit credit method. The scheme is unfunded.

(II) Post employment obligations

(A) Gratuity

The Gratuity scheme is a last drawn salary defined benefit plan that provides for a lump sum payment on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of last drawn salary and the period of service and paid as lump sum at exit. Maximum limit provided under the Payment of Gratuity Act, 1972 is not considered for

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

computation of benefits provided under this plan. The liability in respect thereof is determined by actuarial valuation at the year end based on the Projected Unit Credit Method and are recognized as a charge on accrual basis. Trustees administer the contributions made to the Gratuity fund. Amounts contributed to the Gratuity fund are invested solely with the Life Insurance Corporation of India.

(B) Post- retirement medical benefits

Post Retirement Medical Benefits [comprising payment of annual medical insurance premium to cover hospitalizations and reimbursement of domiciliary medical expenses within a defined monetary limit], a defined benefit retirement plan are extended to certain employees. The liability in respect thereof is determined by actuarial valuation at the year end based on the Projected Unit Credit Method and are recognized as a charge on accrual basis. The scheme is unfunded.

The following table sets forth the particulars in respect of the defined benefit plans of the Company for the year ended 31 March, 2018:

| Particulars | | Gratuity Fund (Funded) | | | Post retirement medical benefit (Unfunded) |
|---|---|---|---|---|---|
| | | Present Value of Obligation | Fair value of plan assets | Net Amount | Present Value of Obligation |
| **(a)** | **1 April, 2017** | 1,726.96 | (1,301.38) | 425.58 | 29.83 |
| | Current Service Cost | 97.61 | - | 97.61 | - |
| | Interest expense/(Income) | 115.66 | (93.29) | 22.37 | 2.09 |
| | **Total amount recognised in profit or loss** | **213.27** | **(93.29)** | **119.98** | **2.09** |
| | Remeasurements (gains)/losses | | | | |
| | (Gain)/loss from change in financial assumptions | 158.88 | (13.48) | 145.40 | (1.04) |
| | (Gains)/Losses arising from experience adjustments | 147.58 | - | 147.58 | 3.34 |
| | **Total amount recognised in other comprehensive income** | **306.46** | **(13.48)** | **292.98** | **2.30** |
| | Employer's contributions | - | (212.09) | (212.09) | - |
| | Benefit payments | (149.32) | 149.32 | - | (1.87) |
| | **31 March, 2018** | **2,097.37** | **(1,470.92)** | **626.45** | **32.35** |
| **(b)** | **1 April, 2016** | 1,328.23 | (1,083.24) | 244.99 | 28.67 |
| | Past Service Cost - Plan Amendment | 6.83 | - | 6.83 | - |
| | Current Service Cost | 72.24 | - | 72.24 | - |
| | Interest expense/(Income) | 98.55 | (89.51) | 9.04 | 2.24 |
| | **Total amount recognised in profit or loss** | **177.62** | **(89.51)** | **88.11** | **2.24** |
| | Remeasurements (gains)/losses | | | | |
| | (Gain)/loss from change in financial assumptions | 61.02 | - | 61.02 | 1.95 |
| | (Gains)/Losses arising from experience adjustments | 289.70 | - | 289.70 | (1.88) |
| | **Total amount recognised in other comprehensive income** | **350.72** | **-** | **350.72** | **0.07** |
| | Employer's contributions | - | (258.24) | (258.24) | - |
| | Benefit payments | (129.61) | 129.61 | - | (1.15) |
| | **31 March, 2017** | **1,726.96** | **(1,301.38)** | **425.58** | **29.83** |

The expected return on plan assets is determined after taking into consideration composition of plan assets held, assessed risks of asset management, historical results of return on plan assets, Company's policies for plan asset management and other relevant factors.

**The expenses for the above mentioned benefits have been included and disclosed under the following line items:-**

Gratuity - under 'Contribution to Provident and other Funds' in Note 17

Post Retirement Medical Benefit - under 'Staff Welfare Expenses' in Note 17

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | 2017-18 | 2016-17 |
|---|---|---|
| **(c) Actual Return on Plan Asset** | 93.29 | 89.51 |

### (d) The net liability disclosed above relates to funded and unfunded plans are as follows

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Present value of funded obligations | 2,097.37 | 1,726.96 |
| Fair value of plan assets | (1,470.92) | (1,301.38) |
| Deficit of funded plan | 626.45 | 425.58 |
| Unfunded plans | 32.35 | 29.83 |
| | **658.80** | **455.41** |

### (e) Principal : Actuarial assumptions

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (i) | Discount rate | 7.40% | 7.00% |
| (ii) | Salary escalation rate # | 7.00% | 5.00% |
| (iii) | Medical inflation rate | 5.00% | 5.00% |
| (iv) | Mortality Table (In service) | Indian Assured Lives Mortality (2006-08) (Modified) Ult. | Indian Assured Lives Mortality (2006-08) (Modified) Ult. |
| (v) | Mortality Table (Post Retirement) | LIC (1996 to 1998 ultimate) | LIC (1996 to 1998 ultimate) |

# The estimate of future salary increase considered in actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

In case of funded plan, the Company ensures that the investment positions are managed within an asset - liability matching (ALM) framework that has been developed to achieve investment that are in line with the obligation under the gratuity scheme. Within this framework the Company's ALM objective is to match asset with gratuity obligation. The Company actively monitors how the duration and the expected yield of instruments are matching the expected cash outflows arising from the gratuity obligations. The Company has not changed the process used to manage its risk from previous periods. The Company does not use derivatives to manage its risk. The gratuity scheme is funded with LIC which has good track record of managing fund.

### (f) Sensitivity Analysis

| | | Increase/ (Decrease) in DBO | | | Increase/ (Decrease) in DBO | |
|---|---|---|---|---|---|---|
| | | As at 31-Mar-18 | As at 31-Mar-17 | | As at 31-Mar-18 | As at 31-Mar-17 |
| Discount Rate - Gratuity | Decrease by 1% | 117.05 | 86.32 | Increase by 1% | (101.21) | (75.28) |
| Discount Rate - Medical | Decrease by 1% | 2.73 | 2.80 | Increase by 1% | (2.36) | (2.40) |
| Salary escalation Rate | Decrease by 1% | (102.50) | (77.33) | Increase by 1% | 116.41 | 87.23 |
| Life expectancy | Decrease by 1% | 0.88 | 0.83 | Increase by 1% | (0.88) | (0.85) |
| Long term increase in health care cost (medical) | Decrease by 1% | (1.01) | (1.11) | Increase by 1% | 1.18 | 1.30 |

**Method used for sensitivity analysis:**

The sensitivity results above determine their individual impact on the plan's end of year Defined Benefit Obligation. In reality, the plan is subject to multiple external experience items which may move the Defined Benefit Obligation in similar opposite directions, while the plan's sensitivity to such changes can vary over time.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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(All amounts in ₹ Lakhs, unless otherwise stated)

**(g) Defined Benefit Liability and Employer Contributions**

Expected contributions to Post-employment benefit plans for the year ending 31 March, 2019 are ₹ 626.45 Lakhs (31 March, 2018: ₹ 425.58 Lakhs)

The weighted average duration of the defined benefit obligation is 6 years (31 March, 2017 - 6 years). The expected maturity analysis of gratuity and post employment medical benefits is as follows:

| Particulars | Less than a year | Between 1 -2 years | Between 2 -3 years | Between 3 -4 years | Between 4 -5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **31 March, 2018** | | | | | | | |
| Defined benefit obligation | | | | | | | |
| Gratuity | 876.66 | 105.52 | 89.99 | 148.13 | 164.06 | 1,183.51 | 2,567.87 |
| Provident fund | 7.37 | 4.36 | 4.33 | 4.44 | 4.44 | 19.41 | 44.35 |
| Post employment medical benefits | 3.12 | 3.11 | 3.09 | 3.07 | 3.04 | 14.48 | 29.91 |
| **Total** | **887.15** | **112.99** | **97.41** | **155.64** | **171.54** | **1,217.40** | **2,642.13** |
| **31 March, 2017** | | | | | | | |
| Defined benefit obligation | | | | | | | |
| Gratuity | 706.53 | 161.39 | 100.77 | 95.72 | 125.83 | 878.24 | 2,068.48 |
| Provident fund | 7.94 | 4.58 | 4.38 | 4.35 | 4.41 | 20.20 | 45.86 |
| Post employment medical benefits | 2.79 | 2.80 | 2.79 | 2.77 | 2.75 | 13.23 | 27.13 |
| Total | **717.26** | **168.77** | **107.94** | **102.84** | **132.99** | **911.67** | **2,141.47** |

**(h) Risk Exposure**

Through its defined benefit plans, the Company is exposed to some risks, the most significant of which are detailed below:

1 Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

2 Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation

3 Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

**(C) Provident Fund**

Certain employees of the Company receive provident fund benefits, which are administered by the Provident Fund Trust set up by the Company. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or cessation of employment. Both the employees and the Company make monthly contributions at specified percentage of the employees' salary to such Provident Fund Trust set up by the Company. The Company has an obligation to fund any shortfall in return on plan assets over the interest rates prescribed by the authorities from time to time. In view of the Company's obligation to meet the shortfall this is a defined benefit plan. Actuarial valuation of the Company's liability under such scheme is carried out under the Projected Unit Credit Method at the year end and the charge/ gain, if any, is recognized in the Statement of Profit and Loss. Actuarial gains/ losses are recognized immediately in the Statement of Profit and Loss as income/ expense.

The Actuary has carried out actuarial valuation of the plan's liabilities and interest rate guarantee obligations as at the balance sheet date using Projected Unit Credit Method and deterministic approach as outlined in the Guidance Note 29 issued by the Institute of Actuaries of India. Based on such valuation, the future anticipated shortfall with regard to interest rate obligation of the Company amounts to ₹ 8.25 Lakhs (31 March, 2017: ₹ 5.84 Lakhs) and outstanding as at the balance sheet date amounts to ₹ 53.73 Lakhs (31 March, 2017: ₹ 45.48 Lakhs). Disclosure given hereunder are restricted to the relevant information available as per the actuary's report.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Principal Actuarial Assumptions | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Discount Rate | 7.40% | 7.00% |
| Expected Return on Exempted Fund | 8.65% | 8.60% |
| Expected EPFO return | 8.65% for first 1 year and 8.55% thereafter | 8.65% for first 1 year and 8.60% thereafter |

**(III) Defined Contribution Plans**

The Company has certain Defined Contribution Plans viz. Provident Fund and Superannuation Fund. Contributions are made to provident fund for employees at the rate of 12% of basic salary as per regulations. The company has a defined contribution Superannuation plan for which contribution is made at a rate not exceeding 4.87% of Basic and Dearness Allowance of the member with Superannuation. The contributions are made to registered provident fund administered by the government. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 374.62 lakhs (31 March, 2017-₹ 194.88 Lakhs)

## NOTE 11: DEFERRED TAX LIABILITIES

| | Balance as at 1 April, 2017 Total | Recognized to Profit or Loss during the year Total | Recognized to/ Reclassified from OCI Total | Adjusted with liability Total | Balance as at 31 March, 2018 Total |
|---|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | | |
| Property, plant and equipments, Intangible Assets and Investment Property | 26,882.44 | 3.11 | - | - | 26,885.55 |
| Borrowings | 41.07 | 0.37 | - | - | 41.44 |
| Financial Assets at Fair value through Profit or Loss - Mutual Funds | 1.03 | (1.03) | - | - | - |
| Financial Assets at Fair value through Other Comprehensive Income | - | - | 2,687.32 | - | 2,687.32 |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | - | 45.33 | - | - | 45.33 |
| | **26,924.54** | **47.78** | **2,687.32** | **-** | **29,659.64** |
| **Deferred Tax Assets:** | | | | | |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | 8.44 | - | - | - | 8.44 |
| Items allowable for tax purpose on payments/adjustment | 455.30 | 2,134.51 | - | - | 2,589.81 |
| Allowance for doubtful debts - trade receivable | 553.90 | (260.71) | - | - | 293.19 |
| Fair value changes on financial assets - equity instruments | 50.51 | (50.51) | - | - | - |
| Minimum Alternate Tax Credit* | 5,389.13 | - | - | (1,348.20) | 4,040.93 |
| | **6,457.28** | **1,823.29** | **-** | **(1,348.20)** | **6,932.37** |
| Net Deferred Tax Liabilities: | 20,467.26 | (1,775.51) | 2,687.32 | 1,348.20 | 22,727.27 |

* Utilised during the year against normal tax liability

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Balance as at 1 April, 2016 Total | Recognized to Profit or Loss during the year Total | Recognized to/ Reclassified from OCI Total | Adjusted with liability Total | Balance as at 31 March, 2017 Total |
|---|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | | |
| Property, plant and Equipments, Intangible Assets and Investment Property | 26,685.87 | 196.57 | - | - | 26,882.44 |
| Borrowings | 37.68 | 3.39 | - | - | 41.07 |
| Financial Assets at Fair value through Profit or Loss - Mutual Funds | 2.86 | (1.83) | - | - | 1.03 |
| | **26,726.41** | **198.13** | **-** | **-** | **26,924.54** |
| **Deferred Tax Assets:** | | | | | |
| Unabsorbed Depreciation / Business Loss | 6,134.75 | (6,134.75) | - | - | - |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | (227.27) | 235.71 | - | - | 8.44 |
| Items allowable for tax purpose on payments/adjustment | 353.73 | (19.91) | 121.48 | - | 455.30 |
| Allowance for doubtful debts - trade receivable | 280.19 | 273.71 | - | - | 553.90 |
| Fair value changes on financial assets - equity instruments | 57.74 | (145.31) | 138.08 | - | 50.51 |
| Minimum Alternate Tax Credit | 5,389.13 | - | - | - | 5,389.13 |
| | **11,988.27** | **(5,790.55)** | **259.56** | **-** | **6,457.28** |
| **Net Deferred Tax Liabilities:** | **14,738.14** | **5,988.68** | **(259.56)** | **-** | **20,467.26** |

## NOTE 12: OTHER CURRENT LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Advances from Customers | 159.76 | 807.35 |
| Dues payable to Government Authorities | 2,526.36 | 780.23 |
| Liability for Export Obligation | - | 57.46 |
| | **2,686.12** | **1,645.04** |

## NOTE 13: CURRENT TAX LIABILITIES (NET)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Provision for Income Tax | 1,204.56 | 206.42 |
| [Net of Advance Tax ₹ 23,196.94 Lakhs (31 March, 2017: ₹ 16,346.01 Lakhs) | | |
| | **1,204.56** | **206.42** |

## NOTE 14: REVENUE FROM OPERATIONS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Sales of Finished Goods ** | | |
| Carbon black | 251,141.84 | 204,327.31 |
| Sale of Power | 8,454.65 | 8,508.88 |
| Other Operating Revenues | | |
| Scrap sales | 434.65 | 290.67 |
| | **260,031.14** | **213,126.86** |

** Post the applicability of Goods and Service Tax (GST) with effect from 1 July, 2017, Revenue from Operations are required to be disclosed net of GST In accordance with the requirements of Ind AS. Accordingly the sale of Finished Goods - Carbon Black for the year ended 31 March, 2018 include excise duty collected on sales for the period from 1 April, 2017 to 30 June, 2017 and Sale of Finished Goods - Carbon Black for previous year ended 31 March, 2017 include excise duty collected on sales for the whole year.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 15: OTHER INCOME

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Interest income from certain financial assets | 144.99 | 196.07 |
| Unwinding of interest on loan to subsidiary | 46.53 | 42.31 |
| Dividend income from equity instruments designated at FVOCI | 266.27 | 264.12 |
| Others | | |
| Gain on sale of investments carried at FVTPL | 927.33 | 842.82 |
| Fair Value gains on financial assets (investments) at FVTPL | 220.84 | 153.78 |
| Profit on sale of property, plant and equipment | 3.93 | - |
| Liability no longer required written back | 40.14 | 13.38 |
| Allowance for doubtful debts / expected credit loss written back | 249.06 | 216.78 |
| Allowance for doubtful advances written back | - | 117.50 |
| Miscellaneous income | 73.94 | 47.04 |
| | **1,973.03** | **1,893.80** |

## NOTE 16(a) : COST OF MATERIAL CONSUMED

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Opening Stock | 16,497.90 | 15,540.64 |
| Add : Purchases | 171,750.01 | 123,083.62 |
| Less : Closing Stock | (23,158.49) | (16,497.90) |
| | **165,089.42** | **122,126.36** |

a) Raw material purchase is net of ₹ 2,088.46 Lakhs [31 March, 2017: ₹ 1,841.85 Lakhs] being benefits under duty exemption/ benefit scheme pertaining to exports.

b) Raw material consumption includes amount accrued on account of a disputed arbitration awarded against the Company during the year, relating to purchase of raw material in earlier years and Entry taxes payable on imports of raw materials into the state of West Bengal consequent to a recent ruling of the Hon'ble Supreme Court in the matter of Entry taxes.

## NOTE 16(b) : CHANGES IN INVENTORIES OF FINISHED GOODS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Closing Stock (Carbon black) | 2,771.72 | 3,613.43 |
| Less: Opening Stock (Carbon black) | (3,613.43) | (5,140.98) |
| | **841.71** | **1,527.55** |

## NOTE 17 : EMPLOYEE BENEFITS EXPENSE

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Salaries and wages | 8,103.90 | 6,883.19 |
| Contribution to provident and other funds (Refer note 10.2) | 732.69 | 486.84 |
| Staff welfare expense (Refer note 10.2) | 880.98 | 810.09 |
| | **9,717.57** | **8,180.12** |

## NOTE 18 : FINANCE COSTS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Interest expense on financial liabilities carried at amortised cost | 3,872.38 | 4,598.68 |
| Other Borrowings Costs - Loan processing charges | 261.34 | 468.94 |
| Exchange loss on foreign currency transactions and translations | 9.81 | 77.27 |
| (to the extent regarded as adjustment to borrowing cost) | | |
| | **4,143.53** | **5,144.89** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 19 : DEPRECIATION AND AMORTISATION EXPENSES

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Depreciation of property, plant and equipments | 6,049.88 | 6,048.65 |
| Amortization of intangible assets | 2.51 | 13.33 |
| | **6,052.39** | **6,061.98** |

## NOTE 20 : OTHER EXPENSES

| | | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| Consumption of stores and spares | | 4,136.74 | 3,570.13 |
| Consumption of packing materials | | 5,206.88 | 4,725.53 |
| Power and fuel | | 2,233.60 | 1,845.94 |
| Water charges | | 419.48 | 318.70 |
| Rent | | 2,096.35 | 2,167.43 |
| Rates and taxes | | 974.89 | 370.02 |
| Repairs : | | | |
| - Buildings | | 319.69 | 267.23 |
| - Plant and Machinery | | 3,015.64 | 1,257.48 |
| - Others | | 253.74 | 222.69 |
| Insurance | | 161.27 | 136.98 |
| Travelling and transport expenses | | 1,296.80 | 1,074.23 |
| Subscriptions and donations | | 136.49 | 44.35 |
| Freight outward (net of recovery) | | 6,807.36 | 4,163.34 |
| Commission to selling agents | | 2,677.65 | 2,939.79 |
| Directors' fees & Commission | | 918.65 | 31.74 |
| Research and development expenses (refer note 22) | | 783.48 | 480.26 |
| Hedging cost | | 2,831.17 | 4,611.76 |
| Net (gain) on foreign currency transaction/translation | | (1,001.74) | (1,868.36) |
| Loss on disposal of property, plant and equipments / Capital work in progress written off | | - | 697.73 |
| Balance with government authorities written off | | - | 475.95 |
| Allowance for doubtful advances | | - | 251.46 |
| Advances written off | | - | 135.17 |
| Bad Debt Written off during the year : | 397.43 | | |
| Less : Adjusted with provision | (397.43) | - | - |
| Provision/(Reversal) for impairment - investment in subsidiary | | (345.13) | 235.41 |
| Allowance for doubtful debts / expected credit loss - trade receivable | | 50.00 | 766.72 |
| Corporate Social Responsibility Expenditure [refer note (a) below] | | 160.96 | - |
| Payment to auditors [refer note (b) below] | | 65.93 | 66.71 |
| Miscellaneous expenses | | 7,243.63 | 6,007.73 |
| | | **40,443.53** | **34,996.12** |

### 20(a) : Details of CSR expenditure:

| | | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| (i) | Gross Amount required to be spent by the Company during the year | 159.06 | - |
| (ii) | For purpose other than construction/acquisition of any asset | | |
| | In Cash* | 160.96 | - |

* Includes ₹116 Lakhs paid to registered Trust for carrying out CSR activities

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## 20(b) : Details of payment to auditors

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| **As auditor:** | | |
| Audit Fees | 40.50 | 35.00 |
| Tax audit fees | 6.00 | 5.75 |
| Limited review* | 11.50 | 11.25 |
| **In other capacity:** | | |
| Others services (Certification fees)^ | 7.03 | 13.00 |
| Reimbursement of expenses | 0.90 | 1.71 |
| | **65.93** | **66.71** |

* ₹ 3.5 Lakhs being paid to erstwhile auditors

^ ₹ 6 Lakhs being paid to erstwhile auditors

## NOTE 21 : TAX EXPENSE

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| **(a) Income-tax expense recognised in the statement of Profit and Loss** | | |
| Current tax | | |
| Current tax on profits for the year | 9,179.60 | 3,824.87 |
| Adjustments for current tax for earlier years | - | (213.80) |
| **Total current tax expense** | **9,179.60** | **3,611.07** |
| Deferred Tax | | |
| Origination and reversal of temporary differences | (1,775.51) | 5,988.68 |
| **Total deferred tax expense (benefit)** | **(1,775.51)** | **5,988.68** |
| **Income-tax expense reported in the Statement of Profit and Loss** | **7,404.09** | **9,599.75** |
| **(b) Income-tax expense on other comprehensive income** | | |
| Current Tax - Remeasurement of post employment defined benefit obligation | 101.40 | 74.79 |
| **Total current tax expense** | **101.40** | **74.79** |
| Deferred tax - Remeasurement of post employment defined benefit obligation | - | 121.48 |
| Deferred tax - Fair value through other comprehensive income - equity instruments | (2,687.32) | 138.08 |
| **Total deferred tax (expense) / benefit recognised in Other Comprehensive Income** | **(2,687.32)** | **259.56** |
| **Income-tax expense recognised in other comprehensive income** | **(2,585.92)** | **334.35** |
| **(c) Reconciliation of statutory rate of tax and the effective rate of tax** | | |
| **Profit before income tax** | 30,382.71 | 16,551.89 |
| Enacted Income tax rate in India applicable to the Company | 34.61% | 34.61% |
| Tax on Profit before tax at the enacted Income tax rate in India | 10,515.45 | 5,728.61 |
| **Adjustments:** | | |
| **Tax effect of amounts which are not deductible (taxable) in calculating taxable income:** | | |
| Items not deductible / Income exempt from tax | 471.04 | 1,191.70 |
| Incentives / additional benefits allowable under Income-tax | (3,632.77) | (1,212.14) |
| Income tax written back in respect of earlier years | - | (213.80) |
| Tax on book profit under section 115JAA | - | 3,675.00 |
| Other items | 50.37 | 430.38 |
| **Total Income tax expense** | **7,404.09** | **9,599.75** |
| Effective tax rate | 24.37% | 58.00% |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

## NOTE 22: RESEARCH AND DEVELOPMENT EXPENSES

(All amounts in ₹ Lakhs, unless otherwise stated)

| Revenue Expenses | Year ended 31 March, 2018 | | | | | Year ended 31 March 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Durgapur | Kochi | Palej | Mundra | Total | Durgapur | Kochi | Palej | Mundra |
| Raw Materials Consumed | 228.97 | 25.06 | 107.96 | 32.19 | 63.76 | 174.26 | 38.29 | - | 90.69 | 45.28 |
| Salaries Wages and Bonus | 464.84 | 69.99 | 138.07 | 160.00 | 96.78 | 257.06 | 59.44 | 28.51 | 116.82 | 52.29 |
| Contribution to Provident and Other Funds | 10.63 | 1.86 | 1.55 | 5.69 | 1.53 | 32.18 | 7.18 | 3.52 | 14.89 | 6.59 |
| Staff Welfare Expense | 12.16 | 1.77 | 1.38 | 7.64 | 1.37 | 9.71 | 0.64 | 2.25 | 5.58 | 1.24 |
| Miscellaneous Expenses | 66.88 | 26.51 | 16.67 | 13.86 | 9.84 | 7.05 | 1.68 | 1.15 | 2.94 | 1.28 |
| **Total** | **783.48** | **125.19** | **265.63** | **219.38** | **173.28** | **480.26** | **107.23** | **35.43** | **230.92** | **106.68** |
| **Capital Expenditure** | | | | | | | | | | |
| Building under Construction (Included under Capital work in progress in schedule 3(c)) | 494.36 | | | | | 6.44 | | | | |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 23: CONTINGENT LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Contingent Liabilities for :** | | |
| (a) (i) Claims against the Company not acknowledged as debts : | | |
| Income-tax matters under dispute | 361.84 | 253.08 |
| Excise duty matters under dispute | 524.95 | 478.81 |
| Sales tax matter under dispute | 12.78 | 12.78 |
| Service tax matters under dispute | 705.95 | 312.76 |
| Value added tax matters under dispute | 164.95 | 1,251.17 |
| (ii) Other money for which the Company is contingently liable | | |
| Excise duty matters under dispute | 156.53 | 156.57 |
| Entry tax matter under dispute | - | 2,313.35 |
| (b) Outstanding bank guarantees etc. | 1,606.16 | 454.06 |
| (c) Guarantees or counter guarantees or counter indemnity given by the Company | | |
| On behalf of bodies corporate and others | | |
| - Limit | 9.00 | 9.00 |
| - Outstanding | 9.00 | 9.00 |

It is not practicable for the Company to estimate the timings of the cash outflows, if any, in respect of the above contingent liabilities pending resolution of the respective proceedings. The Company does not expect any reimbursement in respect of the above contingent liabilities.
Also Refer Note 31.

## NOTE 24: COMMITMENTS

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (a) | Capital Commitments | | |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for Property, plant and equipment (Net) | 2,545.53 | 607.36 |
| (b) | Non-cancellable operating leases | | |
| | Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| | Within one year | 494.77 | 274.76 |
| | Later than one year but not later than five years | 579.35 | 210.85 |
| | Later than five years | 11.06 | 20.76 |
| | | **1,085.18** | **506.37** |
| (c) | Other Commitments: | | |
| | Export commitments in lieu of imported capital goods under the Export Promotion Capital Goods (EPCG) scheme | - | 1,046.34 |

## NOTE 25: DIVIDEND ON EQUITY SHARES

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Final Dividend for the year ended 31 March 2016 of ₹ 2.50/- per share on the face value of ₹ 10/- per share | - | 861.69 |
| Dividend Distribution tax on above | - | 175.42 |
| Interim Dividend for the year ended 31 March 2018 of ₹ 6/- per share on the face value of ₹10/- per share (31 March 2017 ₹ 6/- per share) | 2,068.05 | 2,068.05 |
| Dividend Distribution tax on above | 421.01 | 421.01 |
| | **2,489.06** | **3,526.17** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 26 EARNING PER EQUITY SHARES

| | | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| **Basic and Diluted** | | | |
| (i) | Number of Equity Shares outstanding [Refer note 7(ii)] | 172,337,860 | 172,337,860 |
| (ii) | Face value of each Equity Shares (₹) | 2.00 | 2.00 |
| (iii) | Profit after Tax available for Equity Shareholders (₹ in Lakhs) | 22,978.62 | 6,952.14 |
| (iv) | Basic and Diluted earnings per Share (₹) [(iii)/(i)] | 13.33 | 4.03 |

## NOTE 27: RELATED PARTY TRANSACTIONS

### (a) Holding Company

The Company is controlled by the following entity with effect from 6 March, 2017

| Name | Type | Place of Incorporation | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|---|
| Rainbow Investments Limited | Holding Company | India | 50.20% | 50.20% |

### (b) Subsidiaries

The Company has following subsidiaries and step down subsidiary companies:-

| Name | Type | Place of Incorporation | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|---|
| Phillips Carbon Black Cyprus Holdings Limited | Wholly Owned Subsidiary | Cyprus | 100% | 100% |
| PCBL Netherlands Holdings B.V. | Wholly Owned Subsidiary Company of Phillips Carbon Black Cyprus Holdings Limited | Netherlands | 100% | 100% |
| Phillips Carbon Black Vietnam Joint Stock Company | Subsidiary Company of PCBL Netherlands Holdings B.V. | Vietnam | 80% | 80% |

### (c) Key management personnel of the Company and Holding Company with whom transactions have taken place

| | Name | Relationship |
|---|---|---|
| i) | Sanjiv Goenka | Chairman and Non Executive Director |
| ii) | Shashwat Goenka | Non Executive Director |
| iii) | Kaushik Roy | Managing Director |
| iv) | C R Paul | Non Executive Independent Director |
| v) | O P Malhotra | Non Executive Independent Director |
| vi) | K S B Sanyal | Non Executive Independent Director |
| vii) | Paras K Chowdhary | Non Executive Independent Director |
| viii) | Pradip Roy | Non Executive Independent Director |
| ix) | Kusum Dadoo | Non Executive Independent Director |
| x) | Sunil Bhandari | Employee holding Directorship in Holding Company |
| xi) | Subhrangshu Chakraborty | Employee holding Directorship in Holding Company |
| xii) | Raj Kumar Gupta | Chief Financial Officer |
| xiii) | Kaushik Mukherjee | Company Secretary |

# NOTES TO STANDALONE FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(d) Others with whom transactions have taken place during the financial year 2017-18/balance due to/from as on 31 March, 2018**

| Name | Relationship |
|---|---|
| Rainbow Investments Limited | Holding Company |
| RPG Power Trading Company Limited | Fellow Subsidiary |
| Trade Apartment Private Limited | Fellow Subsidiary |
| Dynamic Success Projects Private Limited | Fellow Subsidiary |
| CESC Limited | Company under control of Holding Company as per Ind-AS 110 |
| Duncan Brothers & Co. Ltd | Associate of Holding Company |
| Harrisons Malayalam Limited | Associate of Holding Company |
| Woodlands Multispeciality Hospital Limited | Associate of Holding Company |
| Duncan Agency Senior Staff Superannuation Fund No. 3 (Superannuation Fund) | Post Employment Benefit Plan of the Company |
| Phillips Carbon Black Limited Employees' Gratuity Fund (Gratuity Fund) | Post Employment Benefit Plan of the Company |
| Phillips Carbon Black Limited Staff Provident Institution (Provident Fund) | Post Employment Benefit Plan of the Company |

**(e) Transactions with related parties**

A) Subsidiary Companies

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Impairment / (reversal of impairment) in value of investments in Phillips Carbon Black Cyprus Holdings Limited | (345.13) | 235.41 |

B) Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Recovery of reimbursement of expenses | 2.82 | 0.61 |
| Dividend paid on equity shares | 1,038.18 | 1,468.59 |
| Dividend received on preference shares | 63.50 | 95.50 |
| Purchase of Investments* | 2,615.72 | - |

* Acquired by erstwhile subsidiary company subsequently merged with the company

C) Associates of Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Accommodation charges paid | | |
| Duncan Brothers & Co. Ltd | 0.76 | 0.02 |
| b) Reimbursement of expenses | | |
| Woodland Multispeciality Hospital Limited | 0.19 | - |
| c) Miscellaneous expenses paid | | |
| Harrisons Malayalam Limited | 0.04 | 0.06 |

D) Company under control of Holding Company as per Ind-AS 110

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| CESC Limited | | |
| Accommodation charges paid | 1.85 | 0.12 |
| Reimbursement of expenses | 41.04 | 48.35 |
| Expenses incurred and recovered | 24.81 | 26.36 |
| Electricity charges paid | 2.24 | 0.23 |
| Dividend received | 202.34 | - |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## E) Fellow Subsidiaries

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Rent paid | | |
| Dynamic Success Projects Private Limited | 2.81 | 0.25 |
| Trade Apartment Private Limited | 3.11 | 0.25 |
| b) Reimbursement of expenses | | |
| Dynamic Success Projects Private Limited | 3.19 | 0.25 |
| Trade Apartment Private Limited | 3.55 | 0.25 |
| RPG Power Trading Limited | 1.18 | - |
| c) Power selling expenses recovered/recoverable | | |
| RPG Power Trading Company Limited | 137.47 | 14.67 |
| d) Power sales | | |
| RPG Power Trading Company Limited | 4,739.77 | 539.89 |

## F) Post Employment Benefit Plans

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Advance given to Gratuity Fund | 122.58 | 86.15 |
| b) Advance - recovered from Gratuity Fund | 132.67 | 83.08 |
| c) Contribution towards Gratuity fund | 212.09 | 262.81 |
| d) Contribution towards Provident fund | 186.13 | 154.51 |
| e) Contribution towards Superannuation fund | 89.98 | 63.95 |

## G) Key management personnel of the Company and Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| (i) Remuneration to Key Management Personnel | | |
| Mr. Kaushik Roy, Managing Director | 711.72 | 506.10 |
| Mr. Raj Kumar Gupta, Chief Financial Officer | 78.00 | 59.21 |
| Mr. Kaushik Mukherjee, Company Secretary | 69.47 | 47.32 |
| (ii) Sitting fees paid to Key Management Personnel | | |
| Mr. Sanjiv Goenka | 2.01 | 3.00 |
| Mr. Shashwat Goenka | 2.06 | 3.55 |
| Mr. C R Paul | 2.21 | 4.90 |
| Mr. O P Malhotra | 3.06 | 4.80 |
| Mr. K S B Sanyal | 2.51 | 3.00 |
| Mr. Paras K Chowdhary | 2.31 | 4.00 |
| Mr. Pradip Roy | 3.01 | 4.50 |
| Ms. Kusum Dadoo | 1.51 | 3.70 |
| (iii) Advance given to Managing Director | | |
| Advance given | - | 40.00 |
| Advance recovered [including ₹ Nil (31 March, 2017 - ₹ 36 Lakhs) adjusted with remuneration] | - | 76.00 |
| (iv) Remuneration to Key Managerial Personnel of Holding company | | |
| Mr. Sunil Bhandari | 169.90 | 11.50 |
| Mr. Subhranghshu Chakrabarti | 120.99 | 7.35 |

## H) Remuneration to Key Management Personnel

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Short-term employee benefits | 801.39 | 597.32 |
| Post-employment benefits | 33.49 | 9.27 |
| Other long-term benefits | 24.31 | 6.04 |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(f) Balance Outstanding at the year end**

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **I)** | **Holding Company** | | |
| | Receivable from Rainbow Investments Limited | - | 59.82 |
| | Investment in preference shares | 4,249.67 | 2,665.73 |
| **II)** | **Subsidiary Company** | | |
| | **Loan** | | |
| | Phillips Carbon Black Cyprus Holdings Limited | 511.91 | 465.38 |
| | **Investments** | | |
| | Phillips Carbon Black Cyprus Holdings Limited [Refer Note 4(a)] | 2,164.91 | 2,164.91 |
| | Less: Impairment in value of investment | - | 345.13 |
| | Carrying Value of investment | 2,164.91 | 1,819.78 |
| **III)** | **Fellow Subsidiaries** | | |
| | Receivable from Dynamic Success Projects Private Limited | 200.00 | 199.07 |
| | Receivable from Trade Apartment Private Limited | 199.79 | 203.10 |
| | Receivable from RPG Power Trading Company Limited | 17.02 | 134.70 |
| **IV)** | **Associates of Holding Company** | | |
| | Receivable/ (payable) from Duncan Brothers & Co. Ltd. | 0.03 | (0.32) |
| | Receivable from Harrisons Malayalam Limited | 8.93 | 8.93 |
| | Payable to Woodlands Multispeciality Hospital Limited | 0.01 | 0.02 |
| **V)** | **Company under control of Holding Company as per Ind-AS 110** | | |
| | Receivable from CESC Limited | 16.10 | 34.19 |
| **VI)** | **Post Employment Benefit Plan** | | |
| | Receivable / (Payable) from Gratuity Fund | (0.15) | 9.94 |
| **VII)** | **Terms and Conditions** | | |
| | All other transactions were made on normal commercial terms and conditions and at market rates. | | |
| | All outstanding balances are unsecured and are repayable in cash. | | |

## NOTE 28: SEGMENT

**(a) Description of segments and principal activities**

The Company's Managing Director examines the Company's performance and has identified two reportable segments of its business.

Carbon Black : The Company is primarily engaged in production of Carbon Black through its four manufacturing units located at Durgapur, Kochi, Vadodara and Mundra.

Power: The Company is also engaged in generation of electricity for the purpose of captive consumptions as well as distribution of surplus to outsiders.

The segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the standalone financial statement. Also the Company's borrowings (including finance costs and interest income), income taxes, investments are managed at head office and are not allocated to operating segments.

Inter-Segment transfers being power consumed for manufacture Carbon Black are based on price paid for power purchased from external sources. Segment revenue is measured in the same way as in the Statement of Profit and Loss.

Segment assets and liabilities are measured in the same way as in the standalone financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

All non-current assets of the Company (excluding certain financial assets) are located in India.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(b) Segment Revenue, Segment Earnings and other information as at / for the year ended:-**

## Segment Revenue :

| Particulars | Year ended 31 March, 2018 | | | Year ended 31 March, 2017 | | |
|---|---|---|---|---|---|---|
| | Carbon Black | Power | Total | Carbon Black | Power | Total |
| Revenue from external customers | 251,141.84 | 8,454.65 | 259,596.49 | 204,327.31 | 8,508.88 | 212,836.19 |
| Other operating Revenues | 434.65 | - | 434.65 | 290.67 | - | 290.67 |
| **Total revenue from operations** | **251,576.49** | **8,454.65** | **260,031.14** | **204,617.98** | **8,508.88** | **213,126.86** |
| Inter-segment revenue | - | 6,180.93 | 6,180.93 | - | 5,652.58 | 5,652.58 |
| **Total segment revenue** | **251,576.49** | **14,635.58** | **266,212.07** | **204,617.98** | **14,161.46** | **218,779.44** |

Revenue of ₹ 84,252.43 Lakhs (31 March 2017- ₹ 76,158.99 Lakhs) are derived from two external customers in the Carbon Black segment, each of whom contribute to more than 10% of the total revenue.

The Company is domiciled in India. The amount of its revenue from external customers broken down by the location of the customers is shown in table below:

| Revenue from external customers | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| India | 205,156.01 | 169,970.43 |
| Other countries | 54,875.13 | 43,156.43 |
| **Total** | **260,031.14** | **213,126.86** |

## Segment Results :

| Particulars | Year ended 31 March, 2018 | | | Year ended 31 March, 2017 | | |
|---|---|---|---|---|---|---|
| | Carbon Black | Power | Total | Carbon Black | Power | Total |
| Segment profit before interest and tax | 32,449.43 | 9,827.33 | 42,276.76 | 19,722.02 | 9,627.56 | 29,349.58 |
| Reconciliation to Profit before tax | | | | | | |
| Finance Cost | - | - | (4,143.53) | - | - | (5,144.89) |
| Interest Income | - | - | 191.52 | - | - | 238.38 |
| Unallocated expenses (Net) | - | - | (7,942.04) | - | - | (7,891.18) |
| **Profit before tax** | **32,449.43** | **9,827.33** | **30,382.71** | **19,722.02** | **9,627.56** | **16,551.89** |

| Particulars | 31 March, 2018 | | | | 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carbon Black | Power | Unallocated | Total | Carbon Black | Power | Unallocated | Total |
| Depreciation/Amortisation | 3,682.32 | 2,249.98 | 120.09 | 6,052.39 | 3,450.93 | 2,244.24 | 366.81 | 6,061.98 |
| Non cash expense | 5,839.73 | - | - | 5,839.73 | 2,188.13 | - | 370.58 | 2,558.71 |

## Segment Assets :

| Particulars | 31 March, 2018 | | | 31 March, 2017 | | |
|---|---|---|---|---|---|---|
| | Carbon Black | Power | Total | Carbon Black | Power | Total |
| Segment Assets | 202,744.02 | 30,876.35 | 233,620.37 | 187,943.97 | 31,567.13 | 219,511.10 |
| Reconciliation to total assets | | | | | | |
| Investments | - | - | 33,740.43 | - | - | 30,902.13 |
| Other unallocated assets | - | - | 18,574.68 | - | - | 6,337.45 |
| **Total assets as per the balance sheet** | **202,744.02** | **30,876.35** | **285,935.48** | **187,943.97** | **31,567.13** | **256,750.68** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Particulars | Year ended 31 March, 2018 | | | | Year ended 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carbon Black | Power | Unallocated | Total | Carbon Black | Power | Unallocated | Total |
| Addition to Non current assets other than financial assets | 7,765.92 | 1,670.88 | 807.08 | 10,243.88 | 2,859.76 | 373.51 | 53.80 | 3,287.07 |

**The total of segments assets broken down by location of the assets, is shown below:**

| Assets by geographical location | 31 March, 2018 | 31 March, 2017 |
|---|---|---|
| India | 2,24,487.45 | 2,11,671.72 |
| Other countries | 9,132.92 | 7,839.38 |
| Total | 2,33,620.37 | 2,19,511.10 |

## Segment Liabilities :

| Particulars | 31 March, 2018 | | | 31 March, 2017 | | |
|---|---|---|---|---|---|---|
| | Carbon Black | Power | Total | Carbon Black | Power | Total |
| Total Segment liabilities | 41,192.27 | 585.33 | 41,777.60 | 45,066.79 | 611.17 | 45,677.96 |
| Reconciliation to total liabilities | | | | | | |
| Borrowings | - | - | 71,733.09 | - | - | 75,821.07 |
| Current Tax Liabilities (Net) | - | - | 1,204.56 | - | - | 206.42 |
| Deferred Tax Liabilities | - | - | 22,727.27 | - | - | 20,467.26 |
| Other Unallocated liabilities | - | - | 11,258.09 | - | - | 1,984.76 |
| **Total liabilities as per the balance sheet** | **41,192.27** | **585.33** | **148,700.61** | **45,066.79** | **611.17** | **144,157.47** |

## NOTE 29: FAIR VALUE MEASUREMENT

### (i) Financial instruments by category

| Particulars | As at 31 March, 2018 | | | | As at 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised Cost | Total | FVPL | FVOCI | Amortised Cost | Total |
| **Financial assets** | | | | | | | | |
| Investments | | | | | | | | |
| - Equity instruments | - | 24,954.30 | - | 24,954.30 | - | 16,913.65 | - | 16,913.65 |
| - Preference Shares | 6,621.22 | - | - | 6,621.22 | 2,665.73 | - | - | 2,665.73 |
| - Mutual Funds | - | - | - | - | 9,502.97 | - | - | 9,502.97 |
| Trade receivables | - | - | 52,197.46 | 52,197.46 | - | - | 46,565.61 | 46,565.61 |
| Loans | - | - | 1,877.39 | 1,877.39 | - | - | 1,841.63 | 1,841.63 |
| Cash and cash equivalents | - | - | 13,285.17 | 13,285.17 | - | - | 2,233.35 | 2,233.35 |
| Other bank balances | - | - | 97.13 | 97.13 | - | - | 129.75 | 129.75 |
| Other financial assets | - | - | 597.34 | 597.34 | | - | 283.28 | 283.28 |
| **Total financial assets** | **6,621.22** | **24,954.30** | **68,054.49** | **99,630.01** | **12,168.70** | **16,913.65** | **51,053.62** | **80,135.97** |
| **Financial liabilities** | | | | | | | | |
| Borrowings | - | - | 68,688.79 | 68,688.79 | - | - | 73,830.55 | 73,830.55 |
| Current maturities of long term debt | - | - | 3,044.30 | 3,044.30 | - | - | 1,990.52 | 1,990.52 |
| Derivative financial liabilities | - | - | - | - | 1,402.57 | - | - | 1,402.57 |
| Trade payables | - | - | 38,029.04 | 38,029.04 | - | - | 41,425.80 | 41,425.80 |
| Other financial liabilities | - | - | 4,600.04 | 4,600.04 | - | - | 1,662.92 | 1,662.92 |
| **Total financial liabilities** | **-** | **-** | **114,362.17** | **114,362.17** | **1,402.57** | **-** | **118,909.79** | **120,312.36** |

### (ii) Fair Value

The fair values of financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent in all the years. The following methods and assumptions were used to estimate the fair values:

(a) In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors. Accordingly, such net asset values are

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

(b) In respect of investments in listed equity instruments, the fair values represents available quoted market price at the Balance Sheet date.

(c) The fair value of derivative contracts (foreign exchange forward contracts and Currency and Interest rate swaps) is determined using forward exchange rates at the Balance Sheet date.

(d) The management assessed that fair values, of trade receivables, cash and cash equivalents, other bank balances, loans, trade payables, current borrowings, other current liabilities and other financial liabilities (current), approximate to their carrying amounts largely due to the short-term maturities of these instruments. Further, management also assessed the carrying amount of certain non-current loans, non-current financial liabilities and long-term borrowings at floating interest rates which are a reasonable approximation of their fair values and the difference between the carrying amounts and fair values is not expected to be significant.

**(iii) Fair value of financial assets and liabilities measured at amortised cost**

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amount would be significantly different from the values that would eventually be received or settled.

**(iv) Fair value hierarchy**

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognised and measures at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. Explanation of each level follows underneath the table:

| Financial assets and liabilities measured at fair value - recurring fair value measurements | As at 31 March, 2018 | | | | As at 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | | | | |
| Financial assets at FVPL | | | | | | | | |
| Investments in mutual funds | - | - | - | - | 9,502.97 | - | - | 9,502.97 |
| Investments in preference shares | - | - | 6,621.22 | 6,621.22 | - | - | 2,665.73 | 2,665.73 |
| Financial assets at FVOCI | | | | | | | | |
| Investments in equity instruments | 16,345.17 | - | 8,609.13 | 24,954.30 | 14,249.48 | - | 2,664.17 | 16,913.65 |
| **Total financial assets** | **16,345.17** | **-** | **15,230.35** | **31,575.52** | **23,752.45** | **-** | **5,329.90** | **29,082.35** |
| Derivative financial liabilities not designated as hedges | | | | | | | | |
| Foreign-exchange forward contract | - | - | - | - | - | 1,402.57 | - | 1,402.57 |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **-** | **1,402.57** | **-** | **1,402.57** |

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have net asset value as stated by the issuers in the published statements. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There are no transfers between level 1 and level 2 fair value measurements during the year ended 31 March, 2018 and 31 March, 2017.

Some of the Company's financial assets are carried at fair value for which Level 3 inputs have been used. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

**Valuation inputs and relationship to fair value**

| Particulars | Fair Value at | | Significant unobservable input | Sensitivity | |
|---|---|---|---|---|---|
| | 31 March, 2018 | 31 March, 2017 | | 31 March, 2018 | 31 March, 2017 |
| Unquoted equity shares | 8,609.13 | 2,664.17 | Earning growth rate / Discounting rate | Increase in earning growth rate by 1% and lower discount rate by 1% would increase fair value by ₹ 8.67 Lakhs | Increase in earning growth rate by 1% and lower discount rate by 1% would increase fair value by ₹ 13.18 Lakhs |
| | | | | Decrease in earning growth rate by 1% and higher discount rate by 1% would decrease fair value by ₹ 7.71 Lakhs | Decrease in earning growth rate by 1% and higher discount rate by 1% would decrease fair value by ₹ 11.55 Lakhs |
| Unquoted Preference shares | 6,621.22 | 2,665.73 | Discounting rate to determine PV | Decrease in discount rate by 1% will increase the fair value by ₹ 81.17 lakhs | Decrease in discount rate by 1% will increase the fair value by ₹ 76.20 lakhs |
| | | | | Increase in discount rate by 1% will decrease fair value by ₹ 79.26 Lakhs. | Increase in discount rate by 1% will decrease fair value by ₹ 73.97 Lakhs. |

**Valuation process :**

The main level 3 inputs for unquoted equity shares and unquoted preference share used by the Company are derived and evaluated as follows: Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

## NOTE 30: FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprises of borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance and support the operations of the Company. The Company's principal financial assets include trade and other receivables, loans, investments and cash & cash equivalents that derive directly from its operations.

The Company's business activities are exposed to a variety of risks including liquidity risk, credit risk and market risk. The Company seeks to minimize potential adverse effects of these risks by managing them through a structured process of identification, assessment and prioritization of risks followed by coordinated efforts to monitor, minimize and mitigate the impact of such risks on its financial performance and capital. For this purpose, the Company has laid comprehensive risk assessment and minimization/mitigation procedures, which are reviewed by the Audit Committee and approved by the Board from time to time. These procedures are reviewed to ensure that executive management controls risks by way of properly defined framework. The Company does not enter into derivative financial instruments for speculative purposes.

**(A) Credit risk**

Credit risk refers to risk of financial loss to the Company if customers or counterparties fail to meet their contractual obligations. The Company is exposed to credit risk from its operating activities (mainly trade receivables) and from its investing activities (primarily deposit with banks and investment in mutual funds).

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(i) Credit risk management

**(a) Trade Receivable**

Customer credit risk is managed by the Company through its established policies and procedures which involve setting up credit limits based on credit profiling of individual customers, credit approvals for enhancement of limits and regular monitoring of important developments viz. payment history, change in credit rating, regulatory changes, industry outlook etc. Outstanding receivables are regularly monitored and an impairment analysis is performed at each reporting date on an individual basis for each major customer. In addition, small customers are grouped into homogeneous groups and assessed for impairment collectively. The Company also has a policy to provide for all receivables which are overdue for a period over 365 days. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or reversal thereof.

**Reconciliation of loss allowance provision - Trade receivable are as follows:**

| Particulars | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Loss allowance at the beginning of the year | 1,443.64 | 893.70 |
| Change / (reversal) in allowance during the year (net) | (199.06) | 549.94 |
| Written back during the year/ adjusted with bad debt written off during the year | (397.43) | - |
| Loss allowance at the end of the year | 847.15 | 1,443.64 |

**(b) Deposits and financial assets (Other than trade receivables):**

The Company maintains exposure in cash and cash equivalents, term deposits with banks and money market liquid mutual fund schemes. Investments of surplus are made within assigned credit limits with approved counterparties who meet the threshold requirements with respect to ratings, financial strength, credit spreads etc. Counterparty credit limits are set to minimize concentration risk and are reviewed periodically by the Board.

**(B) Liquidity Risk**

Liquidity risk implies that the Company may not be able to meet its obligations associated with its financial liabilities. The Company manages its liquidity risk on the basis of the business plan that ensures that the funds required for financing the business operations and meeting financial liabilities are available in a timely manner and in the currency required at optimal costs. The Management regularly monitors rolling forecasts of the Company's liquidity position to ensure it has sufficient cash on an ongoing basis to meet operational fund requirements. The surplus cash generated, over and above the operational fund requirement is invested in bank deposits / marketable debt securities / debt mutual fund schemes of highly liquid nature to optimize cash returns while ensuring adequate liquidity for the Company.

Additionally, the Company has committed fund and non-fund based credit lines from banks which may be drawn anytime based on Company's fund requirements. The Company maintains a cautious liquidity strategy with positive cash balance and undrawn bank lines throughout the year.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

| Contractual maturity of financial liability | Upto 1 year | 1 Year to 3 year | 3 year to 5 year | More than 5 years | Total |
|---|---|---|---|---|---|
| **31 March, 2018** | | | | | |
| Borrowings (including current maturities) | 55,307.60 | 9,643.04 | 5,183.59 | 1,598.86 | 71,733.09 |
| Trade payable | 38,029.04 | - | - | - | 38,029.04 |
| Other financial liabilities | 4,600.04 | - | - | - | 4,600.04 |
| | **97,936.68** | **9,643.04** | **5,183.59** | **1,598.86** | **1,14,362.17** |

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| Contractual maturity of financial liability | Upto 1 year | 1 Year to 3 year | 3 year to 5 year | More than 5 years | Total |
|---|---|---|---|---|---|
| **31 March, 2017** | | | | | |
| Borrowings (including current maturities) | 56,804.82 | 9,094.85 | 4,144.70 | 5,776.70 | 75,821.07 |
| Trade payable | 41,425.80 | - | - | - | 41,425.80 |
| Other financial liabilities | 5,072.34 | 3,509.18 | 1,477.39 | 755.97 | 10,814.88 |
| | **1,03,302.96** | **12,604.03** | **5,622.09** | **6,532.67** | **1,28,061.75** |

## (C) Market Risk

Market risk is the risk that the fair value of future cash flow of financial instruments may fluctuate because of changes in market conditions. Market risk broadly comprises three types of risks namely currency risk, interest rate risk and price risk (for commodities or equity instruments). The above risks may affect the Company's income and expenses and / or value of its investments. The Company's exposure to and management of these risks are explained below

### (i) Foreign currency risk

The Company operates in international markets and therefore is exposed to foreign currency risk arising from foreign currency transactions. The exposure relates primarily to the Company's operating activities (when the revenue or expense is denominated in foreign currency), borrowings in foreign currencies and investment in overseas subsidiaries. Over ninety percent of Company's foreign currency transactions are in USD while the rest are in EURO, JPY and GBP. The risk is measured through forecast of highly probable foreign currency cash flows.

The Company's risk management policy is hedging of net foreign currency exposure at all points in time through foreign exchange forward contracts, vanilla option contracts and cross currency interest rate swaps. The objective of the hedging is to eliminate the currency risk due to volatility in exchange rates.

### (a) Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows:

| | 31 March, 2018 ₹ equivalent of | | | | 31 March, 2017 ₹ equivalent of | | | |
|---|---|---|---|---|---|---|---|---|
| | USD | EUR | JPY | GBP | USD | EUR | JPY | GBP |
| **Financial assets** | | | | | | | | |
| Trade receivables | 9,322.79 | 480.03 | 7.10 | 99.73 | 7,654.29 | 595.18 | 311.17 | 114.27 |
| **Net exposure to foreign currency risk (assets)** | **9,322.79** | **480.03** | **7.10** | **99.73** | **7,654.29** | **595.18** | **311.17** | **114.27** |
| **Financial liabilities** | | | | | | | | |
| Foreign currency loan | 44,072.61 | - | - | - | 27,225.45 | - | - | - |
| Trade payables | 28,679.20 | (1,566.26) | - | 39.89 | 31,658.82 | 10.69 | - | 16.06 |
| Other financial liabilities | - | - | - | - | 277.14 | - | - | - |
| **Derivative liabilities** | | | | | | | | |
| Foreign exchange forward contracts | | | | | | | | |
| Buy foreign currency | (65,186.52) | - | - | - | (53,713.38) | - | - | - |
| **Net exposure to foreign currency risk (liabilities)** | **7,565.29** | **(1,566.26)** | **-** | **39.89** | **5,448.03** | **10.69** | **-** | **16.06** |
| **Net exposure to foreign currency risk (Assets-Liabilities)** | **1,757.50** | **2,046.29** | **7.10** | **59.84** | **2,206.26** | **584.49** | **311.17** | **98.21** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(b) Sensitivity**

A fluctuation in the exchange rates of 1% with other conditions remaining unchanged would have the following effect on Company's profit or loss before taxes as at 31 March 2018 and 31 March 2017:

| | Impact on profit before tax | |
|---|---|---|
| | **FY 2017-18** | **FY 2016-17** |
| **USD sensitivity** | | |
| INR/USD- Increase by 1%* | 17.58 | 22.06 |
| INR/USD- Decrease by 1%* | (17.58) | (22.06) |
| **EUR sensitivity** | | |
| INR/EUR- Increase by 1% | 20.46 | 5.84 |
| INR/EUR- Decrease by 1% | (20.46) | (5.84) |
| **JPY sensitivity** | | |
| INR/JPY- Increase by 1% | 0.07 | 3.11 |
| INR/JPY- Decrease by 1% | (0.07) | (3.11) |
| **GBP sensitivity** | | |
| INR/GBP- Increase by 1% | 0.60 | 0.98 |
| INR/GBP- Decrease by 1% | (0.60) | (0.98) |

* Holding all other variable constant

## (ii) Interest rate risk

The Company's exposure to risk of change in market interest rates relates primarily to its debt interest obligations. It's borrowings are at floating rates and its future cash flows will fluctuate because of changes in market interest rates.

(a) Interest Rate Risk Exposure

The exposure of the Company's borrowings to interest rate changes at the end of the reporting period are as follows:

| | **31 March, 2018** | **31 March, 2017** |
|---|---|---|
| Total borrowings (including current maturities) | 71,733.09 | 75,821.07 |

(b) Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

| | Impact on profit before tax | |
|---|---|---|
| | **FY 2017-18** | **FY 2016-17** |
| Interest Rates - Increase by 50 basis points (50 bps) * | (358.67) | (379.11) |
| Interest Rates - Decrease by 50 basis points (50 bps) * | 358.67 | 379.11 |

* Holding all other variable constant

## (iii) Security Price risk

Securities price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded prices.

The Company invests its surplus funds in various debt instruments and equity instruments. These comprise of mainly liquid schemes of mutual funds, short term debt funds & income funds (duration investments), certain quoted equity instruments and bank fixed deposits. To manage its price risk arising from investments in mutual funds and equity instruments, the Company diversifies its portfolio. Mutual fund and equity investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(a) Securities Price Risk Exposure**

The Company's exposure to securities price risk arises from investments in mutual funds and equity instruments held by the Company and classified in the Balance Sheet as fair value through profit or loss/fair value through other comprehensive income is disclosed under Note 29.

**(b) Sensitivity**

The sensitivity of profit or loss to changes in Net Assets Values (NAVs) as at year end for investments in mutual funds.

| | Impact on profit before tax | |
|---|---|---|
| | FY 2017-18 | FY 2016-17 |
| NAV of mutual funds/Market price of quoted equity instruments - Increase by 1%* | - | 237.52 |
| NAV of mutual funds/Market price of quoted equity instruments - Decrease by 1%* | - | (237.52) |

* Holding all other variable constant

### (D) Commodity Price Risk

Commodity price risk results from changes in market prices for raw materials, mainly carbon black feedstock which forms the largest portion of Company's cost of sales.

The Company endeavors to reduce such risks by maintaining inventory at optimum level through a highly probable sales forecast on quarterly basis and also through worldwide purchasing activities. Raw materials are purchased exclusively to cover Company's own requirements. Further, a significant portion of Company's volume is sold based on formula-driven price adjustment mechanism which allows for recovery of the changed raw material cost from customers. The Company also endeavors to offset the effects of increases in raw material costs through price increases in its non-contract sales, productivity improvement and other cost reduction efforts. The Company has not entered into any derivative contracts to hedge exposure to fluctuations in commodity prices.

**31:** The Company is a respondent in an enquiry by Central Government authorities in relation to investments, amounting to ₹ 2,752.79 lakhs, made by the Company in its foreign subsidiaries in earlier years. The Company has submitted point wise clarifications and responses against each of the queries raised by the authorities and has requested to withdraw the Show Cause Notice (SCN). The Company now awaits the judgement in this matter.

## NOTE 32 : CAPITAL MANAGEMENT

For the purposes of the Company's capital management, capital includes issued capital, all other equity reserves and long term borrowed capital less reported cash and cash equivalents.

The primary objective of the Company's capital management is to maintain an efficient capital structure to reduce the cost of capital, support the corporate strategy and to maximise shareholder's value.

The Company's policy is to borrow primarily through banks to maintain sufficient liquidity. The Company also maintains certain undrawn committed credit facilities to provide additional liquidity. These borrowings, together with cash generated from operations are utilised for operations of the Company.

The Company monitors capital on the basis of cost of capital. The Company is not subject to any externally imposed capital requirements.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

The following table summaries the capital of the Company:

| Particulars | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Long Term Borrowing (including current maturities of long term debt) | 19,469.79 | 21,006.77 |
| Short Term Borrowing | 52,263.30 | 54,814.30 |
| Less: Cash and cash equivalents | 13,285.17 | 2,233.35 |
| **Total Borrowing (Net)** | **58,447.92** | **73,587.72** |
| Total equity | 137,234.87 | 112,593.21 |
| **Total Capital (Equity+ Net Debt)** | **195,682.79** | **186,180.93** |

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March, 2018 and 31 March, 2017.

**33 :** Figures of the previous year has been regrouped/ rearranged to confirm current year's presentation.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF PHILLIPS CARBON BLACK LIMITED

## REPORT ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS

We have audited the accompanying consolidated Ind AS financial statements of **Phillips Carbon Black Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED IND AS FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group entities in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2018, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

## OTHER MATTER

(a) We did not audit the financial statements and other financial information, in respect of the subsidiary Company and its step down subsidiaries, whose Ind AS financial statements include total assets of ₹ 3,874.60 lakhs and net assets of ₹ 2,580.37 lakhs as at March 31, 2018, and total revenues of ₹ 975.30 lakhs and net cash inflows of ₹ 3,785.04 lakhs for the year ended on that date. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the report(s) of such other auditors.

(b) The consolidated Ind AS financial statements of the Company for the year ended March 31, 2017, included in these consolidated Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on August 10, 2017.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

(b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended;

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company, refer to our separate report in "Annexure 1" to this report;

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, as noted in the 'Other matter' paragraph:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group– Refer Note 10 and 23 to the consolidated Ind AS financial statements;

ii. The Holding Company did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended March 31, 2018;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2018

**For S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership No.: 058652

Kolkata
May 4, 2018

# ANNEXURE 1 TO INDEPENDENT AUDITOR'S REPORT

## ANNEXURE 1 TO THE INDEPENDENT AUDITORS REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PHILLIPS CARBON BLACK LIMITED

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated financial statements of **Phillips Carbon Black Limited** as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Phillips Carbon Black Limited (hereinafter referred to as the "Holding Company"), as of that date.

## MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## OPINION

In our opinion, the Holding Company have maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership No.: 058652

Kolkata
May 4, 2018

# CONSOLIDATED BALANCE SHEET
as at 31March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3(a) | 139,426.75 | 138,305.64 |
| Investment properties | 3(b) | 447.73 | 447.73 |
| Capital work-in-progress | 3(c) | 6,684.43 | 7,958.78 |
| Goodwill | | 4.00 | 4.00 |
| Intangible assets | 3(d) | 44.64 | - |
| Financial assets | | | |
| (i) Investments | 4(a) | 31,575.52 | 19,579.38 |
| (ii) Loans | 4(e) | 1,319.89 | 1,325.62 |
| (iii)Other financial assets | 4(f) | 139.20 | 139.20 |
| Other non-current assets | 5 | 4,720.55 | 3,750.23 |
| **Total Non-current assets** | | **184,362.71** | **171,510.58** |
| **Current assets** | | | |
| Inventories | 6 | 30,990.16 | 24,352.32 |
| Financial assets | | | |
| (i) Investments | 4(a) | - | 9,502.97 |
| (ii) Trade receivables | 4(b) | 52,197.46 | 46,565.61 |
| (iii) Cash and cash equivalents | 4(c) | 17,159.71 | 2,322.85 |
| (iv) Other bank balances | 4(d) | 97.13 | 129.75 |
| (v) Loans | 4(e) | 45.59 | 50.63 |
| (vi) Other financial assets | 4(f) | 458.14 | 144.07 |
| Other current assets | 5 | 1,826.35 | 3,428.40 |
| **Total Current assets** | | **102,774.54** | **86,496.60** |
| **TOTAL ASSETS** | | **287,137.25** | **258,007.18** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Equity share capital | 7 | 3,446.77 | 3,446.73 |
| Other equity | 8 | 134,315.01 | 109,623.22 |
| **TOTAL EQUITY** | | **137,761.78** | **113,069.95** |
| Non-Controlling interest | | 659.13 | 583.34 |
| **TOTAL EQUITY** | | **138,420.91** | **113,653.29** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Financial Liabilities | | | |
| Borrowings | 9(a)(i) | 16,425.49 | 19,016.25 |
| Provisions | 10 | 70.05 | 66.08 |
| Deferred tax liabilities (Net) | 11 | 22,727.27 | 20,467.26 |
| **Total Non-current liabilities** | | **39,222.81** | **39,549.59** |
| Current liabilities | | | |
| Financial Liabilities | | | |
| (i) Borrowings | 9(a)(ii) | 52,264.00 | 54,814.40 |
| (ii) Trade payables | 9(b) | | |
| (a) Total outstanding dues of micro enterprises and small enterprises | | 102.17 | 5.51 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 37,938.96 | 41,611.20 |
| (iii) Other financial liabilities | 9(c) | 7,644.34 | 5,059.11 |
| Provisions | 10 | 7,650.44 | 1,460.31 |
| Current tax liabilities (Net) | 13 | 1,207.31 | 208.17 |
| Other current liabilities | 12 | 2,686.31 | 1,645.60 |
| **Total Current liabilities** | | **109,493.53** | **104,804.30** |
| **TOTAL LIABILITIES** | | **148,716.34** | **144,353.89** |
| **TOTAL EQUITY AND LIABILITIES** | | **287,137.25** | **258,007.18** |

The accompanying notes form an integral part of these Consolidated financial statements.
This is the Consolidated Balance Sheet referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

For and on behalf of Board of Directors

Kamal Agarwal
Partner
Membership Number 058652

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kolkata
Date: May 4, 2018

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| Revenue from operations | 14 | 260,031.14 | 213,126.86 |
| Other income | 15 | 2,879.86 | 1,863.69 |
| **Total Income** | | **262,911.00** | **214,990.55** |
| **EXPENSES** | | | |
| Cost of materials consumed | 16(a) | 165,089.42 | 122,126.36 |
| Changes in inventories of finished goods | 16(b) | 841.71 | 1,527.55 |
| Excise duty on sale of products | | 5,333.31 | 20,431.75 |
| Employee benefits expense | 17 | 9,735.85 | 8,197.02 |
| Finance costs | 18 | 4,143.53 | 5,144.89 |
| Depreciation and amortisation expense | 19 | 6,052.39 | 6,061.98 |
| Other expenses | 20 | 41,351.29 | 35,031.69 |
| **Total Expenses** | | **232,547.50** | **198,521.24** |
| **PROFIT BEFORE TAX** | | **30,363.50** | **16,469.31** |
| Income-tax expense | 21 | | |
| Current tax | | 9,178.92 | 3,611.78 |
| Deferred tax | | (1,775.51) | 5,988.68 |
| **Total tax expense** | | **7,403.41** | **9,600.46** |
| **Profit for the year** | | **22,960.09** | **6,868.85** |
| **Other Comprehensive Income** | | | |
| Exchange difference on translation of foreign exchange | | 181.23 | (169.56) |
| Items that will not be reclassified to profit or loss, net of taxes | | | |
| Remeasurements of post-employment defined benefit obligation (net of tax) | | (193.88) | (16.44) |
| Changes in fair value of equity instruments through OCI (net of tax) | | 4,582.65 | 5,347.96 |
| **Total Other Comprehensive Income, net of tax** | | **4,570.00** | **5,161.96** |
| **Total Comprehensive Income for the year** | | **27,530.09** | **12,030.81** |
| **Profit for the year attributable to: -** | | | |
| Owners of the Equity | | 22,884.30 | 6,928.49 |
| Non-Controlling Interest | | 75.79 | (59.64) |
| **Other Comprehensive Income for the year Attributable to: -** | | | |
| Owners of the Equity | | 4,533.25 | 5,185.53 |
| Non-Controlling Interest | | 36.75 | (23.57) |
| **TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO: -** | | | |
| Owners of the Equity | | 27,417.55 | 12,114.02 |
| Non-Controlling Interest | | 112.54 | (83.21) |
| **Earning per equity share :** | 26 | | |
| **[Nominal Value per share - ₹ 2/- (Previous year - ₹ 2/-)] [Refer note 7(ii)]** | | | |
| Basic (₹) | | 13.32 | 3.98 |
| Diluted (₹) | | 13.32 | 3.98 |

The accompanying notes form an integral part of these Consolidated financial statements.
This is the Consolidated statement of profit and loss referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Particulars | Notes | Year Ended 31 March, 2018 | | Year Ended 31 March, 2017 | |
|---|---|---|---|---|---|---|
| A. | **Cash Flow from Operating Activities** | | | | | |
| | Profit before Tax | | | 30,363.50 | | 16,469.31 |
| | Adjustments to reconcile profit before tax to net cash flows: | | | | | |
| | Depreciation and amortisation expenses | 19 | 6,052.39 | | 6,061.98 | |
| | Finance costs | 18 | 4,143.53 | | 5,144.89 | |
| | Allowance for doubtful debts / expected credit losses - trade receivable | 20 | 50.00 | | 766.72 | |
| | Allowance for doubtful advances | 20 | - | | 368.32 | |
| | Interest income from certain financial assets | | (84.34) | | (146.29) | |
| | Dividend income from equity instruments designated at FVOCI | 15 | (266.27) | | (264.12) | |
| | Gain on sale of investments carried at FVTPL | 15 | (927.33) | | (510.18) | |
| | Fair Value gains on financial assets (investments) at FVTPL | 15 | (220.84) | | | |
| | Applicable net gain on foreign currency transactions and translations | | 144.48 | | - | |
| | Net gain on sale of non-current investment carried at fair value through profit or loss | | - | | (332.64) | |
| | Net (gain)/ loss on current investment carried at fair value through profit or loss | | - | | (2.97) | |
| | Net gain on non-current investment carried at fair value through profit or loss | | - | | (150.81) | |
| | Liabilities no longer required written back | 15 | (40.14) | | (25.49) | |
| | Allowance for doubtful debts / expected credit loss written back | 15 | (249.06) | | (216.78) | |
| | Allowance for doubtful advances written back | 15 | - | | (117.50) | |
| | (Profit)/Loss on disposal of property, plant and equipment / Capital work in progress written off | | - | | 697.73 | |
| | Balance with Government Authorities written off | | - | | 475.95 | |
| | Advances / Intercorporate deposits written off | | - | | 135.17 | |
| | Provisions for claims and litigations | | 5,790.37 | | - | |
| | Foreign exchange differences (net) | | 2,204.08 | | (1,273.12) | |
| | | | | 16,596.87 | | 10,610.86 |
| | **Operating profit before changes in operating assets and liabilities** | | | **46,960.37** | | **27,080.17** |
| | **Changes in operating assets and liabilities** | | | | | |
| | Decrease in inventories | | (6,637.84) | | 69.92 | |
| | Decrease in financial and non-financial assets | | (1,225.62) | | 863.18 | |
| | Increase in financial and non-financial liabilities | | (3,009.30) | | 10,011.53 | |
| | | | | (10,872.76) | | 10,944.63 |
| | Cash generated from operations | | | **36,087.61** | | **38,024.80** |
| | Income tax paid | | | (6,831.59) | | (3,380.41) |
| | **NET CASH FROM OPERATING ACTIVITIES** | | | **29,256.02** | | **34,644.39** |
| B. | **Cash Flow from Investing Activities** | | | | | |
| | Payments for acquisition of property, plant and equipment | | (9,443.36) | | (4,070.55) | |
| | Proceeds on disposal of property, plant and equipment | | 5.32 | | 5.83 | |
| | Payments for purchase of current investments | | (288,700.00) | | (248,211.62) | |
| | Proceeds from sale/redemption of current investments | | 299,130.30 | | 249,030.05 | |
| | Payments for purchase of non-current investments | | (8,227.22) | | (3,599.30) | |
| | Proceeds from sale of non-current investments | | 3,485.00 | | 2,856.55 | |
| | Interest received | | 52.79 | | 135.70 | |
| | Dividend received from equity instruments designated at FVOCI and others | | 266.27 | | 264.12 | |
| | **NET CASH USED IN INVESTING ACTIVITIES** | | | **(3,430.90)** | | **(3,589.22)** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Notes | Year Ended 31 March, 2018 | | Year Ended 31 March, 2017 | |
|---|---|---|---|---|---|
| **C. Cash Flow from Financing Activities** | | | | | |
| Arrear Allotment money received | | 0.23 | | - | |
| Proceeds from non-current borrowings | | 5,000.00 | | 16,564.90 | |
| Repayment of non-current borrowings | | (6,536.98) | | (27,247.85) | |
| Increase/(decrease) in cash credit facilities from banks | | 470.96 | | (3,329.03) | |
| Proceeds from current borrowings | | 136,631.81 | | 89,870.38 | |
| Repayment of current borrowings | | (140,922.82) | | (101,030.50) | |
| Dividends paid [including tax on dividend ₹ 421.01 Lakhs (Previous Year - ₹ 596.43 Lakhs) | | (2,521.68) | | (3,526.17) | |
| Finance cost paid | | (3,109.78) | | (5,010.31) | |
| **NET CASH USED IN FINANCING ACTIVITIES** | | | **(10,988.26)** | | **(33,708.58)** |
| **D. Exchange Differences on Translation of Foreign Currency Cash & Cash Equivalents** | | | - | | (7.90) |
| Net increase/(decrease) in Cash and Cash Equivalents | | | **14,836.86** | | **(2,653.41)** |
| Opening Cash and Cash Equivalents [Refer Note 4(c)] | | | 2,322.85 | | 4,984.16 |
| Closing Cash and Cash Equivalents [Refer Note 4(c)] | | | **17,159.71** | | **2,322.85** |

The accompanying notes form an integral part of these Consolidated Statement of Cash Flows.
This is the Consolidated statement of cash flows referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## A. Equity share capital

| Particulars | Notes | 31 March, 2018 No. of shares | 31 March, 2018 Amount | 31 March, 2017 No. of shares | 31 March, 2017 Amount |
|---|---|---|---|---|---|
| EQUITY SHARES OF ₹ 10 EACH ISSUED, SUBSCRIBED AND PAID UP: | | | | | |
| **Opening balance** | | 34,467,572 | 3,446.73 | 34,467,572 | 3,446.73 |
| Changes in equity share capital during the year | | | | | |
| Receipt of pending allotment money | 7 | - | 0.04 | - | - |
| **Closing balance** | | **34,467,572** | **3,446.77** | **34,467,572** | **3,446.73** |

## B. Other equity

| Particulars | Notes | Reserves and Surplus: Capital Reserve | Reserves and Surplus: Securities premium Reserve | Reserves and Surplus: General Reserve | Reserves and Surplus: Statutory Reserve | Reserves and Surplus: Retained Earnings (Surplus in Statement of Profit and Loss) | Other reserves: Other Items of comprehensive income - FCTR | Other reserves: Fair value through other comprehensive income - Equity instruments | Non Controlling Interest | Total other Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance as at 1 April, 2017 | 8 | 156.81 | 22,411.60 | 7,338.43 | 60.34 | 68,872.27 | (59.79) | 10,843.56 | 583.34 | 110,206.56 |
| Amount received during the year | | | 0.19 | | | | | | - | 0.19 |
| **Subtotal** | | **156.81** | **22,411.79** | **7,338.43** | **60.34** | **68,872.27** | **(59.79)** | **10,843.56** | **583.34** | **110,206.74** |
| Profit for the year | | - | - | - | - | 22,884.30 | - | - | 75.79 | 22,960.09 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | (193.88) | 144.48 | 4,582.65 | - | 4,533.25 |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **22,690.42** | **144.48** | **4,582.65** | **75.79** | **27,493.34** |
| Dividends paid (including ₹ 421.01 Lakhs tax on dividends) | 25 | - | - | - | - | (2,489.06) | - | - | - | (2,489.06) |
| Gain/(Loss) on fair valuation of preference shares of holding company purchased during the year | | - | - | - | | (236.90) | - | - | - | (236.90) |
| **Balance as at 31 March, 2018** | | **156.81** | **22,411.79** | **7,338.43** | **60.34** | **88,836.74** | **84.69** | **15,426.21** | **659.13** | **134,974.14** |
| **Balance as at 1 April, 2016** | 8 | 156.81 | 22,411.60 | 7,338.43 | 60.34 | 65,834.08 | 86.18 | 5,147.93 | 666.55 | 101,701.92 |
| Profit for the year | | - | - | - | - | 6,928.49 | - | - | (59.64) | 6,868.85 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | (154.52) | (145.97) | 5,486.02 | (23.57) | 5,161.96 |
| Transferred from FVOCI - Equity instrument on account of disposal of investment | | - | - | - | - | (209.61) | - | 209.61 | - | - |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **-** | **6,564.36** | **(145.97)** | **5,695.63** | **(83.21)** | **12,030.81** |
| Dividends paid (including ₹ 596.43 Lakhs tax on dividends) | 25 | - | - | - | - | (3,526.17) | - | - | - | (3,526.17) |
| **Balance as at 31 March, 2017** | | **156.81** | **22,411.60** | **7,338.43** | **60.34** | **68,872.27** | **(59.79)** | **10,843.56** | **583.34** | **110,206.56** |

The accompanying notes form an integral part of these Consolidated financial statements
This is the Consolidated statement of changes in equity referred to in our report of even date.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

## CORPORATE INFORMATION

Phillips Carbon Black Limited is a public Company limited by shares and incorporated under the Companies Act in India. The Group is primarily engaged in the business of manufacturing & sale of carbon black and sale of power as detailed under segment information in Note 28. Equity shares of the Group are listed on BSE Limited, National Stock Exchange of India Limited and The Calcutta Stock Exchange Limited. The registered office of the Group is located at Duncan House, 31, Netaji Subhas Road, Kolkata 700001, West Bengal, India.

These consolidated financial statements were approved and authorised for issue with the resolution of the Board of Directors on 04 May, 2018.

## 1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 1.1.1. Compliance with Ind AS

These consolidated financial statements comply in all material respects with the Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. These standards and policies have been consistently applied to all the years presented. The consolidated financial statements are presented in Indian Rupee (₹), which is the Group's functional and presentation currency.

### 1.1.2. Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis, except the following, which are measured at fair values:-

i) certain financial assets and liabilities (including derivative instruments);

ii) Plan assets of defined benefit employee benefit plans

### 1.1.3. Principles of Consolidation

a. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

b. The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

c. Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. At the year end, monetary assets and liabilities denominated in foreign currencies are restated at the year-end exchanges rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income/other expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

d. The subsidiary companies considered in the financial statement are as follows:

| Name | Country of Incorporation | % of ownership interest as on March 31, 2018 | % of ownership interest as on March 31, 2017 |
|---|---|---|---|
| Phillips Carbon Black Cyprus Holdings Limited | Cyprus | 100 | 100 |
| PCBL Netherlands Holdings B.V. | Netherlands | 100 | 100 |
| Phillips Carbon Black Vietnam Joint Stock Company | Vietnam | 80 | 80 |

### 1.1.4.Current versus Non-current Classification

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

a. expected to be realised or intended to be sold or consumed in the normal operating cycle,
b. held primarily for the purpose of trading,
c. expected to be realised within twelve months after the reporting period, or
d. cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

a. it is expected to be settled in the normal operating cycle,
b. it is held primarily for the purpose of trading,
c. it is due to be settled within twelve months after the reporting period, or
d. there is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The group has identified twelve months as its operating cycle.

## 1.2. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade and other discounts, rebates, value added taxes, Goods and Services Tax and amounts collected on behalf of third parties.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Group has assumed that recovery of excise duty flows to the group on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the group on its own account, revenue includes excise duty.

However, sales tax/value added tax (VAT)/Goods and Service Tax (GST) is not received by the group on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group regardless of when the payment is being made and specific criteria have been met for each of the Group's activities as described below.

**Sale of carbon black**

Revenue from sale of carbon black is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer as per the terms of contract.

**Sale of power**

Revenue from the sale of power is recognised based on the units as transmitted to buyer net of Unscheduled Interchange gains/losses as per the terms of contract with the customer.

**Other Operating revenues**

Exports entitlements (arising out of duty draw back, Merchandise exports from India and Focused Market Schemes) are recognised when the right to receive credit as per the terms of the schemes is established in respect of the exports made by the Group and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## 1.3. PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are stated either at historical cost i.e. cost of acquisition/construction or at deemed cost as considered on the date of transition to Ind AS less

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

accumulated depreciation, impairment loss, if any. Capital work in progress is stated at cost, net of accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit and loss during the reporting period in which they are incurred.

### 1.3.1. Depreciation methods, estimated useful lives and residual value

In case of certain property, plant and equipment, depreciation is provided on a pro-rata basis on the straight line method over the estimated useful lives of the assets which are different than the rates prescribed under the Schedule II to the Companies Act 2013 are as follows:

| Assets | Useful life |
|---|---|
| Plant & Equipment and Electrical Installations | 18 to 20 Years |

The group, based on technical assessment made by technical expert and management estimate, depreciates certain items of Plant & Equipment and Electrical Installations over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation on historical cost/deemed cost of other property, plant and equipment (except land) is provided on pro rata basis on straight line method based on useful lives specified in Schedule II to the Companies Act, 2013.

The useful lives, residual values and method of depreciation of property, plant and equipment are reviewed and adjusted.

An item of property, plant and equipment or its components recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The cost of property, plant and equipment not ready for intended use are disclosed under capital work in progress.

### 1.3.2. Intangible assets

Intangible assets have a finite useful life and are stated at cost less accumulated amortisation, impairment loss, if any.

Computer Software for internal use, which is primarily acquired from third party vendors, is capitalised. Subsequent costs associated with maintaining such software are recognised as expense as incurred. Cost of software includes license fees and cost of implementation/ system integration services, where applicable.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### 1.3.2.1. Amortisation method and period

Computer software are amortized on a straight line basis over estimated useful life of three years from the date of capitalisation.

Amortisation method and useful lives are reviewed periodically at each financial year end.

#### 1.3.2.2. Research and development

Research costs are expensed as incurred. Expenditure on development that does not meet the specified criteria under Ind AS 38 'Intangible Assets' is recognised as expense as incurred.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 1.3.3. Investment Property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

## 1.4. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

## 1.5. LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of profit and loss on a straight line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

## 1.6. INVENTORIES

Inventories are stated at lower of cost and net realisable value.

Costs incurred in bringing the goods to their present location and condition are accounted for as follows:

- Raw materials, Stores and Spares and Packing Material: cost is determined on moving weighted average method and includes cost of purchase and other incidental costs. However, material and other items held for use in production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost is determined on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 1.7. INVESTMENT AND OTHER FINANCIAL ASSETS

### 1.7.1. Classification

The Group classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

b) those measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of cash flows.

For assets measured at fair value, gains and losses is either recorded in the statement of profit and loss or other comprehensive income. For investments in debt instruments, this depends on the business model in which the investment is held. For investments in equity instruments, this depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies the debt investments when and only when the business model for managing those assets changes.

### 1.7.2. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

assets carried at fair value through profit or loss are expensed in the statement of profit and loss.

**(a) Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** The Group measures trade receivables, loans, cash and cash equivalents, other bank balances and other financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in the statement of profit or loss when the asset is derecognised or impaired.

**Fair value through profit and loss:** The Group measures investment in preference shares and mutual funds at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in statement of profit and loss and presented on net basis in the statement of profit and loss within other income/other expense in the period in which it arises.

**(b) Equity instruments**

The Group subsequently measures all equity investments at fair value through Other Compressive Income and there is no subsequent reclassification of fair value gains and losses to the statement of profit and loss. At the time of derecognition of such investments, the gain or loss is transferred to retained earnings.

### 1.7.3. Impairment of financial assets

The Group assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30 details how the Group determines whether there has been a significant increase in credit risk.

### 1.7.4. Derecognition of financial assets

A financial asset is derecognised only when

- the rights to receive cash flows from the asset have expired
- the Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Group has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

The financial asset is derecognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### 1.7.5. Income recognition

**a. Interest Income**

Interest Income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

**b. Dividends**

Dividends are recognised in the statement of profit and loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of the dividend can be measured reliably which is generally when shareholders approve the dividend

### 1.7.6. Fair value of Financial Instruments

In determining the fair value of financial instruments, the Group uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair values includes discounted cash flow analysis and available quoted market prices. All methods of assessing fair values result in general approximation of fair values and such value may never actually be realised.

## 1.8. DERIVATIVES INSTRUMENTS

The Group enters into certain derivative contracts to hedge risks, which are not designated as hedges. Derivatives are recognised at fair values on the date a derivative contract is entered into and subsequent fair value changes are recognised in the statement of profit and loss at the end of each reporting period.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 1.9. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 1.10. TRADE RECEIVABLES

Trade receivables are amounts receivable from customers for goods sold in the ordinary course of business. Trade receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 1.11. CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 1.12. TRADE PAYABLES

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 1.13. BORROWINGS

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the EIR method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the borrowings to the extent that it is probable that some or all of the facility will be utilised. In this case, the fee is deferred until the draw down occurs. Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current and non-current liabilities based on repayment schedule agreed with banks.

## 1.14. BORROWING COST

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

## 1.15. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The results and financial position of foreign subsidiaries are translated into the presentation currency as follows:
- assets and liabilities are translated at the closing exchange rate at the date of that balance sheet

- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

## 1.16. EMPLOYEE BENEFITS

### 1.16.1. Short term employee benefits

Liabilities for short term employee benefits that are expected to be settled wholly within 12 months after the end of the period are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits payable in the balance sheet.

### 1.16.2. Post-employment benefits

**Defined benefit plans**

a. The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefits obligation at the end of the reporting period less the fair value of plan assets. The defined benefit

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

obligation is calculated annually by actuaries using the Projected Unit Credit Method at the year end.

b. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligations.

c. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in Employees Benefits Expense in the statement of profit and loss.

d. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in retained earnings in the statement of changes in equity.

e. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the profit or loss as past service cost.

**Defined contribution plans**

Contributions under Defined Contribution Plans payable in keeping with the related schemes are recognised as expenses for the period in which the employee has rendered the service.

**1.16.3. Other long-term employee benefit obligations**

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured annually by actuaries as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields on Government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of profit and loss.

## 1.17. INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect of situation in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting profit/loss nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, if any. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the group recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax assets. The group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

In the situations where the Group is entitled to a tax holiday under the Income-Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of temporary differences which arise and reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the Group restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.

## 1.18. PROVISIONS AND CONTINGENT LIABILITIES
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources embodying economic benefits will be required to settle or a reliable estimate of the amount cannot be made.

## 1.19. EARNINGS PER SHARE
### 1.19.1. Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the equity by the weighted average number of equity shares outstanding during the financial year.

The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources

### 1.19.2. Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

## 1.20. SEGMENT REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Managing Director of the Group. Refer note 28 for segment information presented.

## 1.21.BUSINESS COMBINATIONS
A common control business combination, involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination and where the control is not transitory, is accounted for using the pooling of interests method. Other business combinations, involving entities or businesses are accounted for using acquisition method.

## 1.22.RECENT ACCOUNTING PRONOUNCEMENTS
**Standards issued but not yet effective**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

**Ind AS 115 Revenue from Contracts with Customers**

The Company is currently evaluating the impact of implementation of Ind AS 115 "Revenue from Contracts with Customers" which is applicable to it w.e.f 01.04.2018. However, based on the evaluation done so far and based on the arrangement that the Company has with its customers for sale of its products, the implementation of Ind AS 115 will not have any significant impact on the profit or loss of the Company.

## 1.23. ROUNDING OF AMOUNTS
All amounts disclosed in the consolidated Financial Statements and notes have been rounded off to the nearest Lakhs (with two places of decimal) as per the requirement of Schedule III, unless otherwise stated.

## NOTE 2: CRITICAL ESTIMATES AND JUDGEMENT
The preparation of consolidated financial statements in conformity with the Ind AS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and reported amounts of

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

assets, liabilities, income, expense and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed at each Balance Sheet date. Revision to accounting estimates is recognised in the period in which the estimates are revised and future periods impacted.

**The areas involving critical estimates and assumptions of judgments are:**

**Employee Benefits (Estimation of defined benefit obligation)**

Post-employment benefits represents obligation that will be settled in future and require assumptions to project benefit obligations. Post-employment benefits accounting is intended to reflect the recognition of future benefits cost over the employee's approximate service period, based on the terms of plans and the investment and funding decisions made. The accounting requires the group to make assumptions regarding variables such as discount rate, rate of compensation increase and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and benefit costs incurred.

**Estimation of expected useful lives and residual values of property, plants and equipment**

Property, plant and equipment are depreciated at historical cost using straight-line method based on the estimated useful life, taking into account any residual value. The asset's residual value and useful life are based on the Group's best estimates and reviewed, and adjusted if required, at each Balance Sheet date.

**Contingent Liabilities**

Legal proceedings covering a range of matters are pending against the Group. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcomes. The cases and claims against the Group often raise difficult and complex factual and legal issues that are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law, in the normal course of business. The Group consults with legal counsel and certain other experts on matters related to litigations. The Group accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

**Fair Value Measurements**

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques which involve various judgements and assumptions. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments. Refer Note 29 for further disclosures.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

## NOTE 3(a) PROPERTY, PLANT AND EQUIPMENT

(All amounts in ₹ Lakhs, unless otherwise stated)

### TANGIBLE ASSETS

| | Freehold Land | Leasehold Land | Buildings (i) | Non-Factory Buildings and Flats | Plant and Equipment | Furniture and Fixtures | Office Equipment | Vehicles | Electrical Installations | Railway Sidings | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | | | | | | | |
| **Gross carrying amount** | | | | | | | | | | | |
| Opening balance as at 1 April 2017 | 20,206.19 | 40,399.40 | 7,121.59 | 5,013.55 | 74,963.46 | 143.58 | 477.13 | 25.42 | 2,163.46 | 1.40 | 150,515.18 |
| Additions during the year | - | 2,521.08 | 164.77 | 796.66 | 3,562.14 | 21.03 | 90.92 | - | 28.42 | - | 7,185.02 |
| Disposals during the year | - | - | - | - | (295.74) | (3.91) | (0.49) | (7.48) | - | - | (307.62) |
| **Closing gross carrying amount** | **20,206.19** | **42,920.48** | **7,286.36** | **5,810.21** | **78,229.86** | **160.70** | **567.56** | **17.94** | **2,191.88** | **1.40** | **157,392.58** |
| **Accumulated Depreciation** | | | | | | | | | | | |
| Opening balance as at 1 April 2017 | - | - | 608.09 | 225.89 | 10,623.30 | 50.90 | 261.07 | 18.34 | 420.55 | 1.40 | 12,209.54 |
| Depreciation charge during the year | - | - | 309.82 | 118.64 | 5,294.13 | 20.89 | 110.30 | 2.09 | 194.01 | - | 6,049.88 |
| Adjustment of depreciation on disposals | - | - | - | - | (283.10) | (2.68) | (0.33) | (7.48) | - | - | (293.59) |
| **Closing Accumulated Depreciation** | **-** | **-** | **917.91** | **344.53** | **15,634.33** | **69.11** | **371.04** | **12.95** | **614.56** | **1.40** | **17,965.83** |
| **Net carrying amount** | **20,206.19** | **42,920.48** | **6,368.45** | **5,465.68** | **62,595.53** | **91.59** | **196.52** | **4.99** | **1,577.32** | **-** | **139,426.75** |
| **Year ended 31 March 2017** | | | | | | | | | | | |
| **Gross carrying amount** | | | | | | | | | | | |
| Opening balance as at 1 April 2016 | 20,653.92 | 40,399.40 | 7,035.07 | 4,988.69 | 71,988.70 | 144.12 | 350.83 | 29.18 | 2,142.01 | 1.40 | 147,733.32 |
| Reclassified to Investment Property | (447.73) | - | - | - | - | - | - | - | - | - | (447.73) |
| Additions during the year | - | - | 86.52 | 24.86 | 2,974.76 | 3.62 | 127.33 | 0.04 | 22.96 | - | 3,240.09 |
| Disposals during the year | - | - | - | - | - | (4.16) | (1.03) | (3.80) | (1.51) | - | (10.50) |
| **Closing gross carrying amount** | **20,206.19** | **40,399.40** | **7,121.59** | **5,013.55** | **74,963.46** | **143.58** | **477.13** | **25.42** | **2,163.46** | **1.40** | **150,515.18** |
| Accumulated Depreciation | | | | | | | | | | | |
| Opening balance as at 1 April 2016 | - | - | 302.24 | 116.52 | 5,333.83 | 27.55 | 148.93 | 13.69 | 217.67 | 1.40 | 6,161.83 |
| Depreciation charge during the year | - | - | 305.85 | 109.37 | 5,289.47 | 23.99 | 112.33 | 4.75 | 202.89 | - | 6,048.65 |
| Adjustment of depreciation on disposal | - | - | - | - | - | (0.64) | (0.19) | (0.10) | (0.01) | - | (0.94) |
| **Closing Accumulated Depreciation** | **-** | **-** | **608.09** | **225.89** | **10,623.30** | **50.90** | **261.07** | **18.34** | **420.55** | **1.40** | **12,209.54** |
| **Net carrying amount** | **20,206.19** | **40,399.40** | **6,513.50** | **4,787.66** | **64,340.16** | **92.68** | **216.06** | **7.08** | **1,742.91** | **-** | **138,305.64** |

(i) Cost and accumulated depreciation include ₹ 4,775.02 Lakhs (31 March, 2017 - ₹ 4,614.66 Lakhs) and ₹ 506.30 Lakhs (31 March, 2017 - ₹ 334.19 Lakhs), respectively in respect of Buildings on Leasehold Land.

(ii) Title deed of the above immovable properties are held in the name of the Company except leasehold land amounting to ₹ 2,521.08 Lakhs (31 March, 2017 - ₹ Nil) for which execution of leasehold deed is pending.

(iii) The Group has borrowings from banks, which carry security charge over certain of the above property, plant and equipment. (Refer note 9(a) for details).

(iv) Gross carrying amount on leasehold land represents amount paid under certain lease agreements where the Group has an option to renew the properties on expiry of the lease period.

(v) Aggregate amount of depreciation has been included under depreciation and amortization expenses in the Statement of Profit and Loss (Refer note 19).

(vi) The Group based on terms and conditions of lease agreements has assessed these lease arrangements to be perpetual in nature, accordingly leasehold lands are not amortised.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 3(b) INVESTMENT PROPERTIES

| Particulars | Total |
|---|---|
| **Year ended 31 March, 2018** | |
| Opening gross carrying amount as at 1 April, 2017 | 447.73 |
| **Closing gross carrying amount** | **447.73** |
| **Year ended 31 March, 2017** | |
| Opening gross carrying amount as at 1 April, 2016 | - |
| Reclassification from freehold land [Refer Note 3(a)] | 447.73 |
| **Closing gross carrying amount** | **447.73** |
| As at 31 March, 2018 | 447.73 |
| As at 31 March, 2017 | 447.73 |

### Estimation of fair value

The fair value of the investment property approximates to its carrying amount stated above and is based on current prices for similar property. The main inputs used are quantum, area, location, demand and trend of fair market value in the area.

The fair value is determined by an accredited independent valuer. Fair valuation is based on market approach method and categorised as Level 2 fair value hierarchy.

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

## NOTE 3(c) CAPITAL WORK-IN-PROGRESS

| Particulars | Total |
|---|---|
| **Year ended 31 March, 2018** | |
| Opening gross carrying amount as at 1 April, 2017 | 7,958.78 |
| Additions during the year | 5,852.52 |
| Written off during the year | (582.99) |
| Capitalization during the year | (6,543.88) |
| **Closing gross carrying amount** | **6,684.43** |
| **Year ended 31 March, 2017** | |
| Opening gross carrying amount as at 1 April, 2016 | 7,916.62 |
| Additions during the year | 3,976.25 |
| Written-off during the year | (694.00) |
| Capitalization during the year | (3,240.09) |
| **Closing gross carrying amount** | **7,958.78** |

1. Capital work in progress includes the following expenses capitalised during the year ended :

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Finance Cost | 55.78 | - |
| Salaries and wages | 263.65 | - |
| **Total** | **319.43** | **-** |

## NOTE 3(d) INTANGIBLE ASSETS

| Particulars | Computer Software - Acquired |
|---|---|
| **Year ended 31 March, 2018** | |
| **Gross carrying amount** | |
| Opening balance as at 1 April, 2017 | 63.96 |
| Additions during the year | 47.15 |
| **Closing gross carrying amount** | **111.11** |
| **Accumulated amortisation** | |
| Opening balance as at 1 April, 2017 | 63.96 |
| Amortisation charge during the year | 2.51 |
| **Closing accumulated amortisation** | **66.47** |
| **Net carrying amount** | **44.64** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Particulars | Computer Software - Acquired |
|---|---|
| **Year ended 31 March, 2017** | |
| **Gross carrying amount** | |
| Opening balance as at 1 April, 2016 | 63.96 |
| **Closing gross carrying amount** | **63.96** |
| **Accumulated amortisation** | |
| Opening accumulated amortisation | 50.63 |
| Amortisation charge during the year | 13.33 |
| **Closing accumulated amortisation** | **63.96** |
| **Net carrying amount** | **-** |

1. Amortisation has been included under depreciation and amortisation expenses in the Statement of Profit and Loss (Refer note 19).

## NOTE 4 (a) : INVESTMENTS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-Current** | | |
| **Investments in Equity Instruments (fully paid-up) - Other body corporate** | | |
| **Quoted** | | |
| Bank of Baroda | 51.13 | 62.14 |
| 35,930 (31 March, 2017: 35,930) equity shares of ₹ 2/- each $ | | |
| Indian Overseas Bank | 1.99 | 3.04 |
| 11,400 (31 March, 2017: 11,400) equity shares of Rs 10/- each $ | | |
| Norplex Oak India Limited | - | - |
| 380,000 (31 March, 2017: 380,000) equity shares of ₹ 10/- each ^ | | |
| Maple Circuits Limited | - | - |
| 765,000 (31 March, 2017: 765,000) equity shares of ₹ 10/- each ^ | | |
| CESC Limited | 16,292.05 | 14,184.30 |
| 1,686,198 (31 March 2017: 1,686,198) equity shares of ₹ 10/- each $ | | |
| **Unquoted** | | |
| Apeejay Charter Private Limited | 0.16 | 0.16 |
| 1,600 (31 March, 2017: 1600) equity shares of ₹ 10/- each $ | | |
| Accurate Commodeal Private Limited | 248.39 | 33.19 |
| 390,000 (31 March 2017: 390,000) equity shares of of ₹10/- each $ | | |
| Woodlands Multispeciality Hospital Limited | 247.34 | 243.63 |
| 145,480 (31 March 2017: 145,480) equity shares of ₹10/- each $ | | |
| Ritushree Vanijya Private Limited | 1,530.92 | 0.19 |
| 1,900 (31 March 2017:1900) Fully paid Equity Shares of ₹10/- each $ | | |
| Solty Commercial Private Limited | 1,530.89 | 0.19 |
| 1,900 (31 March 2017:1900) Fully paid Equity Shares of ₹10/- each $ | | |
| Subhrashi Vinimay Private Limited | 1,752.39 | 1,523.82 |
| 13,000,000 (31 March 2017: 13,000,000) equity shares of ₹ 10/- each $ | | |
| Fairluck Commercial Company Limited | 1,020.54 | - |
| 6,670,000 (31 March 2017: 6,670,000) equity shares of ₹ 10/- each $ | | |
| Spotboy Tracom Private Limited | 1,342.94 | 862.99 |
| 330,875 (31 March 2017: 330,875) equity shares of ₹10/- each $ | | |
| Elphinstone Properties (P) Ltd. | 690.34 | - |
| 45,00,000 (31 March 2017: Nil) equity shares of ₹10/- each $ | | |
| RPG Industries (P) Ltd. | 245.22 | - |
| 402,000 (31 March 2017: Nil) equity shares of ₹10/- each $ | | |
| **Investments in Preference Shares (fully paid-up) - Other body corporate** | | |
| **Unquoted** | | |
| Rainbow Investments Limited | 4,249.67 | 2,665.73 |
| 4,775,000 (31 March 2017: 3,175,000) 2% cumulative non convertible redeemable preference shares of ₹ 100 each # | | |
| Devise Properties Private Ltd. | 1,249.50 | - |
| 1,050,000 (31 March 2017: Nil) 0% Convertible Preference Shares of ₹ 100/- each at par # | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Lebnitze Real Estate (P) Ltd. | 1,122.05 | - |
| 950,000 (31 March 2017: Nil) 0% Convertible Preference Shares of ₹ 100/- each at par # | | |
| Norplex Oak India Limited | - | - |
| 50 (31 March, 2017: 50) preference shares of ₹ 100/- each ^ | | |
| Maple Circuits Limited | - | - |
| 50 (31 March, 2017: 50) preference shares of ₹ 100/- each ^ | | |
| | **31,575.52** | **19,579.38** |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| **Investments in Mutual Funds #** | | |
| **Unquoted** | | |
| Principal Cash management Fund - Direct Plan Growth | - | 5,001.66 |
| NIL (31 March, 2017: 315,752.87) of face value ₹ 1,000/- each | | |
| ICICI Prudential Liquid - Direct Plan Growth | - | 2,500.75 |
| NIL (31 March, 2017: 1,038,874.26) of face value ₹ 1,000/- each | | |
| Kotak Floater Mutual Fund - Direct Plan Growth | - | 2,000.56 |
| NIL (31 March, 2017:74,944.79) of face value ₹ 1,000/- each | | |
| | **-** | **9,502.97** |
| 1 Additional Information | | |
| (a) Aggregate amount - market value of quoted investments | 16,345.17 | 14,249.48 |
| (b) Aggregate amount of unquoted investments | 15,230.35 | 14,832.87 |
| (c) Aggregate amount of impairment in value of investments | - | - |
| # Investments carried at Fair value through profit or loss | | |
| $ Investments carried at Fair value through Other Comprehensive Income (FVOCI) - Refer note 2 below | | |
| ^ The cost of quoted and unquoted investments in equity instruments (fully paid up) and preference shares (fully paid up) respectively have been written off in the past, though quantity thereof appears in the books | | |
| 2 These investments in equity instruments are not held for trading. Upon the application of Ind AS 109, the company has chosen to designate these investments in equity instruments as at FVOCI as the management believes that this provides a more meaningful presentation for long term investments, than reflecting changes in fair values immediately in statement of profit and loss. Based on the aforesaid election, fair value changes are accumulated within Equity under "Fair Value Changes through Other Comprehensive Income - Equity Instruments". The Company transfers amounts from this reserve to retained earnings when relevant equity shares are derecognized. | | |
| 3 Refer Note 29 for information about fair value measurements and Note 30 for credit risk and market risk on investments. | | |

## NOTE 4 (b) : TRADE RECEIVABLES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Secured** | | |
| Considered Good | 70.00 | 50.00 |
| **Unsecured** | | |
| Considered Good | 52,127.46 | 46,515.61 |
| Considered doubtful | 847.15 | 1,443.64 |
| Less : Allowance for doubtful debts/expected credit loss | (847.15) | (1,443.64) |
| | **52,197.46** | **46,565.61** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 4 (c) : CASH AND CASH EQUIVALENTS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Balances with banks | 4,781.45 | 1,726.29 |
| Deposits with original maturity of less than three months | 10,000.00 | - |
| Remittances in transit | 2,375.67 | 589.91 |
| Cash on Hand | 2.59 | 6.65 |
| | **17,159.71** | **2,322.85** |

There are no utilisation restrictions with regard to cash and cash equivalents as at the end of the year ended 31 March, 2018 and 31 March, 2017.

## NOTE 4 (d) : OTHER BANK BALANCES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Balances with Banks | | |
| - In Unpaid Dividend Accounts * | 97.13 | 129.75 |
| | **97.13** | **129.75** |

* Earmarked for payment of Unclaimed Dividends

## NOTE 4 (e) : LOANS

**(Unsecured considered good)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Security deposits | 1,232.39 | 1,219.73 |
| Other Loans | | |
| Loan to Employees @ | 87.50 | 105.89 |
| | **1,319.89** | **1,325.62** |
| @ Includes amount due from an officer of the Company | 17.50 | - |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Security deposits | 11.80 | 14.63 |
| Other Loans | | |
| Loan to Employee @ | 33.79 | 36.00 |
| | **45.59** | **50.63** |
| @ Includes amount due from an officer of the Company | 6.00 | 0.02 |

## NOTE 4 (f) : OTHER FINANCIAL ASSETS

**(Unsecured considered good)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-Current** | | |
| Margin Money Deposit against guarantees | 139.20 | 139.20 |
| | **139.20** | **139.20** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Interest Receivable | 84.38 | 52.83 |
| Derivative Instruments not designated as hedges $ | 131.16 | - |
| - Foreign Exchange Forward Contracts | | |
| Unbilled Revenue from sale of power | 242.60 | 91.24 |
| | **458.14** | **144.07** |

$ Financial assets carried at fair value through profit and loss

## NOTE 5 : OTHER ASSETS

(Unsecured considered good, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Capital advances | | |
| - Considered Good : | 4,041.58 | 338.38 |
| - Considered Doubtful : | 45.62 | 45.62 |
| Less : Allowance for doubtful advances | (45.62) | (45.62) |
| Deposits under dispute | 586.74 | 527.04 |
| Others | | |
| Prepaid Expenses -Land rental | - | 2,778.49 |
| Prepaid Expenses | 92.23 | 106.32 |
| | **4,720.55** | **3,750.23** |
| **Current** | | |
| Advances to Suppliers/Service providers (other than capital) | | |
| - Considered Good : | 303.05 | 815.19 |
| - Considered Doubtful : | 16.18 | 16.18 |
| Less : Allowance for doubtful advances | (16.18) | (16.18) |
| Balances with Government Authorities * | | |
| - Considered Good : | 326.43 | 1,489.00 |
| - Considered Doubtful : | 216.46 | 216.46 |
| Less : Allowance for doubtful advances | (216.46) | (216.46) |
| Advances to Employees | 77.21 | 76.77 |
| Prepaid Expenses | 510.12 | 446.00 |
| Export Benefit Receivables # | 609.49 | 600.55 |
| Others | 0.05 | 0.89 |
| | **1,826.35** | **3,428.40** |

* Balances with Government Authorities primarily include amounts realisable from the GST Authorities and customs authorities of India and the unutilised GST input credits on purchases to be utilised against future GST liabilities. These are generally realised within one year and hence these balances have been classified as current assets.

# Export Benefit Receivables primarily consist of amounts receivable from various Government Authorities of India towards incentives on export sales made by the Company

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 6 : INVENTORIES

**(At lower of cost and net realisable value)**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Raw materials | 23,158.49 | 16,497.90 |
| Finished goods | 2,771.72 | 3,613.43 |
| Stores and spares parts (including packing material) | 5,059.95 | 4,240.99 |
| | **30,990.16** | **24,352.32** |

## NOTE 7: EQUITY SHARE CAPITAL

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Authorized** | | |
| 62,000,000 (31 March, 2017: 62,000,000) equity shares of ₹10/- each | 6,200.00 | 6,200.00 |
| **Issued, subscribed and paid-up** | | |
| 34,467,572 (31 March, 2017: 34,467,572 equity shares of ₹10 each fully paid up (Refer (i) below) | 3,446.77 | 3,446.77 |
| Less : Allotment money receivable | - | (0.04) |
| | **3,446.77** | **3,446.73** |

(i) There was no change in number of shares issued during the year ended 31 March, 2018 and 31 March, 2017. No additional shares were allotted as fully paid up by way of bonus shares or pursuant to contract(s) without payment being received in cash during the last five years. Further, none of the shares were bought back by the Company during the last five years.

(ii) Pursuant to the Special Resolution passed by the Shareholders by way of Postal Ballot on 3rd April, 2018, the Company had sub-divided 1 Equity Share of face value of ₹ 10/- per share, fully paid-up into 5 Equity Shares of face value of ₹ 2/- per share, fully paid up, effective from 21st April, 2018.

(iii) Details of equity shares held by the Holding Company and shareholders holding more than 5% of the aggregate shares in the Company :-

| | No of Shares (Holding %) | |
|---|---|---|
| | As at 31 March, 2018 | As at 31 March, 2017 |
| Rainbow Investments Limited - Holding Company | 17,303,074 | 17,303,074 |
| | (50.20%) | (50.20%) |

**(iv) Terms/ Rights attached to equity shares**

The Company has one class of equity shares and each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(v) Allotment of 1823 shares is pending against rights issue made during 1993-94.

(vi) 48 Shares have not been issued to the concerned non-resident shareholders pending approval of the Reserve Bank of India.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 8: OTHER EQUITY

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **(i)** | **Reserves and Surplus** | | |
| | Capital Reserve (Refer a below) | 156.81 | 156.81 |
| | Securities Premium Reserve (Refer b below) | 22,411.79 | 22,411.60 |
| | Statutory reserve (u/s 45IC of Reserve Bank of India Act, 1934) (Refer c below) | 60.34 | 60.34 |
| | General reserve (Refer d below) | 7,338.43 | 7,338.43 |
| | Retained Earnings (Refer e below) | 88,836.74 | 68,872.27 |
| **(ii)** | **Other Reserves** | | |
| | Equity Instruments through Other comprehensive income (Refer f(i) below) | 15,426.21 | 10,843.56 |
| | Foreign Currency Translation reserve (refer f (ii) below) | 84.69 | (59.79) |
| | | **134,315.02** | **109,623.22** |
| | | | |
| (a) | Capital reserve represents amount transferred from the transferor company pursuant to a Scheme of Amalgamation | 156.81 | 156.81 |
| | | | |
| (b) | Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of Section 52 of the Companies Act, 2013 | | |
| | Balance as at the beginning of the year | 22,411.60 | 22,411.60 |
| | Add: Amount received during the year | 0.19 | - |
| | **Balance as at the end of the year** | **22,411.79** | **22,411.60** |
| | | | |
| (c) | Statutory Reserve represents amount transferred from Transferor Company pursuant to a Scheme of Amalgamation | 60.34 | 60.34 |
| (d) | General Reserve | 7,338.43 | 7,338.43 |
| | Under the erstwhile Indian Companies Act, 1956, a general reserve was created through an annual transfer of net profit at a specified percentage in accordance with applicable regulations. Consequent to introduction of Companies Act, 2013, the requirement to mandatory transfer a specified percentage of the net profit to general reserve has been withdrawn though the Company may transfer such percentage of its profits for the financial year as it may consider appropriate. Declaration of dividend out of such reserve shall not be made except in accordance with rules prescribed in this behalf under the Act. | | |
| (e) | Retained Earnings | | |
| | Balance as at the beginning of the year | 68,872.27 | 65,834.08 |
| | Profit for the year | 22,884.30 | 6,928.49 |
| | Items of other comprehensive income recognised directly in Retained Earnings | | |
| | - Remeasurement of post-employment defined benefit obligation, net of tax | (193.88) | (154.52) |
| | - Transferred from FVOCI - Equity instrument on account of disposal of investment | - | (209.61) |
| | Dividends paid (including ₹ 421.01 Lakhs (Previous year ₹ 596.43 Lakhs) tax on dividends | (2,489.06) | (3,526.17) |
| | (Refer note 25) | | |
| | Gain/(Loss) on fair valuation of preference shares of holding company purchased during the year | (236.90) | - |
| | **Balance as at the end of the year** | **88,836.74** | **68,872.27** |
| | **Total Retained Earnings** | **88,836.74** | **68,872.27** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| | Retained Earnings are the profits and gains that the Company has earned till date and adjustments done on transition to Ind AS, less any transfer to general reserve, dividends or other distributions paid to shareholders. | | |
| (f) | **Other Comprehensive Income** | | |
| | (i) Balance as at the beginning of the year | 10,843.56 | 5,147.93 |
| | Changes in fair value of FVOCI Equity Instruments, net of tax | 4,582.65 | 5,486.02 |
| | Transferred to Retained Earnings on account of disposal of investment | - | 209.61 |
| | **Balance as at the end of the year** | **15,426.21** | **10,843.56** |
| | The Company has elected to recognise changes in the fair value of certain investments in equity instruments in Other Comprehensive Income. These changes are accumulated within the FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to Retained Earnings when the relevant equity shares are derecognised. | | |
| | (ii) Foreign currency translation reserve | | |
| | Balance as at the beginning of the year | (59.79) | 86.18 |
| | Add/(less): Other comprehensive income for the year | 144.48 | (145.97) |
| | **Balance as at the end of the year** | **84.69** | **(59.79)** |

Exchange difference arising from translation of foreign operations are recognised in other comprehensive income as described in accounting policies [Refer Note 1.16] and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss on disposal of the net investment

## NOTE 9(a): BORROWINGS

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (i) | **Non-current borrowings** | | |
| | SECURED LOANS | | |
| | Term loans from Banks | 19,469.79 | 21,006.77 |
| | Less: Current maturities of Long Term Debt [included in Note 9(c)] | (3,044.30) | (1,990.52) |
| | | **16,425.49** | **19,016.25** |

**Nature of Security**

Term loan from bank amounting to ₹ 4983.18 Lakhs (31 March, 2017: Nil) is secured by way of a hypothecation over all moveable properties both present and future, ranking pari-passu with the charges created in favour of other lenders of the Parent Company by way of hypothecation and mortgage on pari-passu basis with other term lenders.

**Terms of Repayment**

Loan availed is repayable in 10 equal semi-annual installments. First installment being due on 15 June, 2018 and ending on 15 December, 2022.

**Nature of Security**

Term loan from bank amounting to ₹ 453.64 Lakhs (31 March, 2017: ₹ 5,026.79 Lakhs) is secured by way of first charge on fixed assets both present and future, of the Parent Company by way of hypothecation and mortgage on pari-passu basis with other term lenders. Second charge on all current assets (present & future) of company on pari-passu basis.

**Terms of Repayment**

Loan availed for ₹ 10,000 Lakhs is repayable in 22 equal quarterly installments. First installment being due after a moratorium period of 18 months from the date of disbursement i.e. on 21 August, 2015.

**Nature of Security**

Term loan from bank amounting to ₹ 13,500 Lakhs (31 March, 2017: ₹ 15,471.47 Lakhs) is secured by first charge on the entire fixed assets of the Parent Company both present and future: The above security to be shared on pari-passu basis amongst lenders.

**Terms of Repayment**

Loan availed for ₹ 16,000 Lakhs is repayable in 32 equal quarterly installments of the total amount drawn under the said facility starting from 31 March, 2017

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Nature of Security**<br>Term loan from bank amounting to ₹ 564.90 Lakhs (31 March, 2017: ₹ 564.90 Lakhs) is secured by pari-passu first charge on the entire fixed assets both present and future, moveable and immovable. Second pari-passu charge by way of hypothecation of the entire current assets of the Parent Company (both present and future)<br>**Terms of Repayment**<br>Loan availed for ₹ 564.90 Lakhs repayable in 28 quarterly installments as follows after 1 year of moratorium from the date of first disbursal (29 March, 2017). Repayment to start from 30 June 2018-<br>1) 2nd Year-10%<br>2) 3rd Year-12.50%<br>3) 4th Year-12.50%<br>4) 5th Year-15%<br>5) 6th Year-15%<br>6) 7th Year-17.50%<br>7) 8th Year-17.50% | | |

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **(ii) Current Borrowings** | | |
| **Secured loans from banks** | | |
| Loans repayable on demand | 13,176.83 | 5,463.15 |
| Other loans | 6,115.39 | 11,688.35 |
| **Nature of Security**<br>Secured by first charge by way of hypothecation of all the Parent Company's current assets, namely all the stock of raw material, stock in process, semi finished goods and finished goods, consumable stores and spares not relating to plant and machinery (consumable and spares) both present and future, bills receivable, bills whether documentary or clean, outstanding monies, receivable, book debts and all other current assets of the Parent Company both present and future , ranking pari-passu without any preference or priority of one over the others and also by second charge on the parent company's immovable and movable fixed assets, both present and future ranking pari-passu without any preference or priority of one over the others. | | |
| **UNSECURED LOANS** | | |
| **Loans repayable on demand** | | |
| - From Banks | 32,971.78 | 31,535.90 |
| - From Others | - | 6,127.00 |
| | **52,264.00** | **54,814.40** |
| Balance outstanding as at 31 March, 2018 in respect of Commercial Paper was ₹ Nil (31 March, 2017: Nil, ). Maximum amount outstanding at any time during the year was ₹ 10,000 Lakhs (2016-17: ₹ 29,000 Lakhs)<br>Refer notes 3(a), 4(b), 4(c), 4(e) and 4(f) for details of assets pledged as security as set out in the above note. Refer note 30 for information about liquidity risk and market risk on borrowings. | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 9(b): TRADE PAYABLES

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| **Current** | | | |
| Total outstanding of dues to Micro Enterprises and Small Enterprises | | 102.17 | 5.51 |
| Total outstanding dues of creditors other than Micro Enterprises and Small Enterprises | | 37,938.96 | 41,611.19 |
| | | **38,041.13** | **41,616.70** |
| **Information relating to Micro, Small and Medium Enterprises (MSME)s:** | | | |
| (i) | The Principal amount and interest due there on remaining unpaid to suppliers under Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | Principal | 87.04 | 0.76 |
| | Interest | 7.31 | 0.11 |
| (ii) | The amount of interest paid by the buyer in terms of section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to suppliers beyond the appointed day during the year | | |
| | Principal | - | - |
| | Interest | - | - |
| (iii) | The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006 | | |
| | Principal | 340.25 | 114.45 |
| | Interest | 3.07 | 0.43 |
| (iv) | The amount of interest accrued and remaining unpaid at the end of the year being interest outstanding as at the beginning of the accounting year. | 15.13 | 4.75 |
| (v) | The amount of further interest remaining due and payable even in the succeeding years, until such date when interest dues above are actually paid to the small enterprise, for the purpose of disallowance as deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act,2006 | 10.38 | 0.54 |

## NOTE 9(c): OTHER FINANCIAL LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Current** | | |
| Current maturities of long term debt | 3,044.30 | 1,990.52 |
| Interest accrued but not due | 337.64 | 98.13 |
| Unpaid dividends [Refer Note (i) below] | 97.13 | 129.75 |
| **Others:** | | |
| Security deposits received | 100.99 | 81.50 |
| Employee benefits payable | 1,262.68 | 458.23 |
| Capital creditors | 961.45 | 752.50 |
| Directors' fees & commission payable | 900.00 | - |
| Derivative instrument not designated as hedges - foreign-exchange forward contracts | - | 1,402.57 |
| Other financial liability | 940.15 | 145.91 |
| | **7,644.34** | **5,059.11** |

(i) There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at the year end.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 10: PROVISIONS

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Non-current** | | |
| Provision for Employee Benefits (Refer Note 10.2) | | |
| Provision for post retirement medical liability and Others | 70.05 | 66.08 |
| | **70.05** | **66.08** |
| **Current** | | |
| Provision for Employee Benefits (Refer Note 10.2) | | |
| Provision for gratuity | 626.45 | 425.58 |
| Provision for compensated absences | 756.84 | 558.84 |
| Provision for post retirement medical liability/others | 10.12 | 9.23 |
| Provisions for claims and litigations (refer note 10.1) | 6,257.03 | 466.66 |
| | **7,650.44** | **1,460.31** |

### 10.1 Provisions for claims and litigations
The Group has estimated the provisions for pending claims and litigations based on the assessment of probability for these demands being crystallising against the Group in due course. The table below gives information about movement in claims and litigations, and provisions

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| At the beginning of the year | 466.66 | - |
| Add: Arisen during the year | 5,790.37 | 466.66 |
| At the end of the year | **6,257.03** | **466.66** |

### 10.2: Employee Benefits:
**(I) Leave Obligations**

The Group provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment. The liability is provided based on the number days of unutilised leave at each balance sheet date on the basis of year-end actuarial valuation using projected unit credit method. The scheme is unfunded.

**(II) Post employment obligations**

(A) Gratuity

The Gratuity scheme is a last drawn salary defined benefit plan that provides for a lump sum payment made on exit either by way of retirement, death, disability or voluntary withdrawal. The benefits are defined on the basis of last drawn salary and the period of service and paid as lump sum at exit. Maximum limit provided under the Payment of Gratuity Act, 1972 is not considered for computation of benefits provided under this plan. The liability in respect thereof is determined by actuarial valuation at the year end based on the Projected Unit Credit Method and are recognized as a charge on accrual basis. Trustees administer the contributions made to the Gratuity fund. Amounts contributed to the Gratuity fund are invested solely with the Life Insurance Corporation of India.

(B) Post- retirement medical benefits

Post Retirement Medical Benefits [comprising payment of annual medical insurance premium to cover hospitalizations and reimbursement of domiciliary medical expenses within a defined monetary limit], a defined benefit retirement plan are extended to certain employees. The liability in respect thereof is determined by actuarial valuation at the year end based on the Projected Unit Credit Method and are recognized as a charge on accrual basis. The scheme is unfunded.

The following table sets forth the particulars in respect of the defined benefit plans of the Group the year ended 31 March, 2018:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Particulars | | Gratuity Fund (Funded) | | | Post retirement medical benefit (Unfunded) |
|---|---|---|---|---|---|
| | | Present Value of Obligation | Fair value of plan assets | Net Amount | Present Value of Obligation |
| (a) | 1 April, 2017 | 1,726.96 | (1,301.38) | 425.58 | 29.83 |
| | Current Service Cost | 97.61 | - | 97.61 | - |
| | Interest expense/(Income) | 115.66 | (93.29) | 22.37 | 2.09 |
| | **Total Amount recognised in profit or loss** | **213.27** | **(93.29)** | **119.98** | **2.09** |
| | Remeasurements (gains)/losses | | | | |
| | (Gain)/loss from change in financial assumptions | 158.88 | (13.48) | 145.40 | (1.04) |
| | (Gains)/Losses arising from experience adjustments | 147.58 | - | 147.58 | 3.34 |
| | **Total amount recognised in other comprehensive income** | **306.46** | **(13.48)** | **292.98** | **2.30** |
| | Employer's contributions | - | (212.09) | (212.09) | - |
| | Benefit payments | (149.32) | 149.32 | - | (1.87) |
| | **31 March, 2018** | **2,097.37** | **(1,470.92)** | **626.45** | **32.35** |
| (b) | 1 April, 2016 | 1,328.23 | (1,083.24) | 244.99 | 28.67 |
| | Past Service Cost - Plan Amendment | 6.83 | - | 6.83 | - |
| | Current Service Cost | 72.24 | - | 72.24 | - |
| | Interest expense/(Income) | 98.55 | (89.51) | 9.04 | 2.24 |
| | **Total Amount recognised in profit or loss** | **177.62** | **(89.51)** | **88.11** | **2.24** |
| | Remeasurements (gains)/losses | | | | |
| | (Gain)/loss from change in financial assumptions | 61.02 | - | 61.02 | 1.95 |
| | (Gains)/Losses arising from experience adjustments | 289.70 | - | 289.70 | (1.88) |
| | **Total amount recognised in other comprehensive income** | **350.72** | **-** | **350.72** | **0.07** |
| | Employer's contributions | - | (258.24) | (258.24) | - |
| | Benefit payments | (129.61) | 129.61 | - | (1.15) |
| | **31 March, 2017** | **1,726.96** | **(1,301.38)** | **425.58** | **29.83** |

The expected return on plan assets is determined after taking into consideration composition of plan assets held, assessed risks of asset management, historical results of return on plan assets, Group's policies for plan asset management and other relevant factors.

**The expenses for the above mentioned benefits have been included and disclosed under the following line items:-**

Gratuity - under 'Contribution to Provident and other Funds' in Note 17
Post Retirement Medical Benefit - under 'Staff Welfare Expenses' in Note 17

| | 2017-18 | 2016-17 |
|---|---|---|
| (c) Actual Return on Plan Asset | 93.29 | 89.51 |

**(d) The net liability disclosed above relates to funded and unfunded plans are as follows**

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Present value of funded obligations | 2,097.37 | 1,726.96 |
| Fair value of plan assets | (1,470.92) | (1,301.38) |
| Deficit of funded plan | 626.45 | 425.58 |
| Unfunded plans | 32.35 | 29.83 |
| | **658.80** | **455.41** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

### (e) Principal : Actuarial assumptions

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Discount rate | 7.40% | 7.00% |
| Salary escalation rate # | 7.00% | 5.00% |
| Medical inflation rate | 5.00% | 5.00% |
| Mortality Table (In service) | Indian Assured Lives Mortality (2006-08) (Modified) Ult. | Indian Assured Lives Mortality (2006-08) (Modified) Ult. |
| Mortality Table (Post Retirement) | LIC (1996 to 1998 ultimate) | LIC (1996 to 1998 ultimate) |

\# The estimate of future salary increase considered in actuarial valuation takes into account factors like inflation, seniority, promotion and other relevant factors, such as demand and supply in the employment market.

In case of funded plan, the Group ensures that the investment positions are managed within an asset - liability matching (ALM) framework that has been developed to achieve investment that are in line with the obligation under the gratuity scheme. Within this framework the Group's ALM objective is to match asset with gratuity obligation. The Group actively monitors how the duration and the expected yield of instruments are matching the expected cash outflows arising from the gratuity obligations. The Group has not changed the process used to manage its risk from previous periods. The Group does not use derivatives to manage its risk. The gratuity scheme is funded with LIC which has good track record of managing fund.

### (f) Sensitivity Analysis

| | Increase/ (Decrease) in DBO | | | Increase/ (Decrease) in DBO | | |
|---|---|---|---|---|---|---|
| | | As at 31-Mar-18 | As at 31-Mar-17 | | As at 31-Mar-18 | As at 31-Mar-17 |
| Discount Rate - Gratuity | Decrease by 1% | 117.05 | 86.32 | Increase by 1% | (101.21) | (75.28) |
| Discount Rate - Medical | Decrease by 1% | 2.73 | 2.80 | Increase by 1% | (2.36) | (2.40) |
| Salary escalation Rate | Decrease by 1% | (102.50) | (77.33) | Increase by 1% | 116.41 | 87.23 |
| Life expectancy | Decrease by 1% | 0.88 | 0.83 | Increase by 1% | (0.88) | (0.85) |
| Long term increase in health care cost (medical) | Decrease by 1% | (1.01) | (1.11) | Increase by 1% | 1.18 | 1.30 |

**Method used for sensitivity analysis:**

The sensitivity results above determine their individual impact on the plan's end of year Defined Benefit Obligation. In reality, the plan is subject to multiple external experience items which may move the Defined Benefit Obligation in similar opposite directions, while the plan's sensitivity to such changes can vary over time.

### (g) Defined Benefit Liability and Employer Contributions

Expected contributions to Post-employment benefit plans for the year ending 31 March, 2019 are ₹ 626.45 Lakhs (31 March, 2018: ₹ 425.58 Lakhs)

The weighted average duration of the defined benefit obligation is 6 years (31 March, 2017 - 6 years). The expected maturity analysis of gratuity and post employment medical benefits is as follows:

| Particulars | Less than a year | Between 1 -2 years | Between 2 -3 years | Between 3 -4 years | Between 4 -5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| **31 March, 2018** | | | | | | | |
| Defined benefit obligation | | | | | | | |
| Gratuity | 876.66 | 105.52 | 89.99 | 148.13 | 164.06 | 1,183.51 | 2,567.87 |
| Provident fund | 7.37 | 4.36 | 4.33 | 4.44 | 4.44 | 19.41 | 44.35 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| Particulars | Less than a year | Between 1 -2 years | Between 2 -3 years | Between 3 -4 years | Between 4 -5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Post employment medical benefits | 3.12 | 3.11 | 3.09 | 3.07 | 3.04 | 14.48 | 29.91 |
| **Total** | **887.15** | **112.99** | **97.41** | **155.64** | **171.54** | **1,217.40** | **2,642.13** |
| **31 March, 2017** | | | | | | | |
| Defined benefit obligation | | | | | | | |
| Gratuity | 706.53 | 161.39 | 100.77 | 95.72 | 125.83 | 878.24 | 2,068.48 |
| Provident fund | 7.94 | 4.58 | 4.38 | 4.35 | 4.41 | 20.20 | 45.86 |
| Post employment medical benefits | 2.79 | 2.80 | 2.79 | 2.77 | 2.75 | 13.23 | 27.13 |
| **Total** | **717.26** | **168.77** | **107.94** | **102.84** | **132.99** | **911.67** | **2,141.47** |

**(h) Risk Exposure**

Through its defined benefit plans, the Group is exposed to some risks, the most significant of which are detailed below:

1 Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

2 Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation.

3 Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

**(C) Provident Fund**

Certain employees of the Group receive provident fund benefits, which are administered by the Provident Fund Trust set up by the Group. Aggregate contributions along with interest thereon are paid at retirement, death, incapacitation or cessation of employment. Both the employees and the Group make monthly contributions at specified percentage of the employees' salary to such Provident Fund Trust set up by the Group. The Group has an obligation to fund any shortfall in return on plan assets over the interest rates prescribed by the authorities from time to time. In view of the Group's obligation to meet the shortfall this is a defined benefit plan. Actuarial valuation of the Group's liability under such scheme is carried out under the Projected Unit Credit Method at the year end and the charge/gain, if any, is recognized in the Statement of Profit and Loss. Actuarial gains/losses are recognized immediately in the Statement of Profit and Loss as income/expense.

The Actuary has carried out actuarial valuation of the plan's liabilities and interest rate guarantee obligations as at the balance sheet date using Projected Unit Credit Method and deterministic approach as outlined in the Guidance Note 29 issued by the Institute of Actuaries of India. Based on such valuation, the future anticipated shortfall with regard to interest rate obligation of the Group amounts to ₹ 8.25 Lakhs (31 March, 2017: ₹ 5.84 Lakhs) and outstanding as at the balance sheet date amounts to ₹ 53.73 Lakhs (31 March, 2017: ₹ 45.48 Lakhs). Disclosure given hereunder are restricted to the relevant information available as per the actuary's report.

| Principal Actuarial Assumptions | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Discount Rate | 7.40% | 7.00% |
| Expected Return on Exempted Fund | 8.65% | 8.60% |
| Expected EPFO return | 8.65% for first 1 year and 8.55% thereafter. | 8.65% for first 1 year and 8.60% thereafter. |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(III) Defined Contribution Plans**

The Group has certain Defined Contribution Plans viz. Provident Fund and Superannuation Fund. Contributions are made to provident fund for employees in India at the rate of 12% of basic salary as per regulations. The Group has a defined contribution Superannuation plan for which contribution is made at a rate not exceeding 4.87% of Basic and Dearness Allowance of the member with Superannuation. The contributions are made to registered provident fund administered by the government. The obligation of the Group is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 374.62 Lakhs (31 March, 2017- ₹ 194.88 Lakhs)

## NOTE 11: DEFERRED TAX LIABILITIES

| | Balance as at 1 April, 2017 Total | Recognized to Profit or Loss during the year Total | Recognized to/ Reclassified from OCI Total | Adjusted with liability Total | Balance as at 31 March, 2018 Total |
|---|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | | |
| Property, plant and equipments, Intangible Assets and Investment Property | 26,882.44 | 3.11 | - | - | 26,885.55 |
| Borrowings | 41.07 | 0.37 | - | - | 41.44 |
| Financial Assets at Fair value through Profit or Loss - Mutual Funds | 1.03 | (1.03) | - | - | - |
| Financial Assets at Fair value through Other Comprehensive Income | - | - | 2,687.32 | - | 2,687.32 |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | - | 45.33 | - | - | 45.33 |
| | **26,924.54** | **47.78** | **2,687.32** | **-** | **29,659.64** |
| **Deferred Tax Assets:** | | | | | |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | 8.44 | - | - | - | 8.44 |
| Items allowable for tax purpose on payments/adjustment | 455.30 | 2,134.51 | - | - | 2,589.81 |
| Allowance for doubtful debts - trade receivable | 553.90 | (260.71) | - | - | 293.19 |
| Fair value changes on financial assets - equity instruments | 50.51 | (50.51) | - | - | - |
| Minimum Alternate Tax Credit* | 5,389.13 | - | - | (1,348.20) | 4,040.93 |
| | **6,457.28** | **1,823.29** | **-** | **(1,348.20)** | **6,932.37** |
| **Net Deferred Tax Liabilities** | **20,467.26** | **(1,775.51)** | **2,687.32** | **1,348.20** | **22,727.27** |

* Utilised during the year against normal tax liability

| | Balance as at 1 April, 2016 Total | Recognized to Profit or Loss during the year Total | Recognized to/ Reclassified from OCI Total | Adjusted with liability Total | Balance as at 31 March, 2017 Total |
|---|---|---|---|---|---|
| **Deferred Tax Liabilities:** | | | | | |
| Property, plant and Equipments, Intangible Assets and Investment Property | 26,685.87 | 196.57 | - | - | 26,882.44 |
| Borrowings | 37.68 | 3.39 | - | - | 41.07 |
| Financial Assets at Fair value through Profit or Loss - Mutual Funds | 2.86 | (1.83) | - | - | 1.03 |
| | **26,726.41** | **198.13** | **-** | **-** | **26,924.54** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Balance as at 1 April, 2016 Total | Recognized to Profit or Loss during the year Total | Recognized to/ Reclassified from OCI Total | Adjusted with liability Total | Balance as at 31 March, 2017 Total |
|---|---|---|---|---|---|
| **Deferred Tax Assets:** | | | | | |
| Unabsorbed Depreciation / Business Loss | 6,134.75 | (6,134.75) | - | - | - |
| Financial Assets at Fair value through Profit or Loss - Derivative Financial Instruments | (227.27) | 235.71 | - | - | 8.44 |
| Items allowable for tax purpose on payments/adjustment | 353.73 | (19.91) | 121.48 | - | 455.30 |
| Allowance for doubtful debts - trade receivable | 280.19 | 273.71 | - | - | 553.90 |
| Fair value changes on financial assets - equity instruments | 57.74 | (145.31) | 138.08 | - | 50.51 |
| Minimum Alternate Tax Credit | 5,389.13 | - | - | - | 5,389.13 |
| | **11,988.27** | **(5,790.55)** | **259.56** | **-** | **6,457.28** |
| **Net Deferred Tax Liabilities:** | **14,738.14** | **5,988.68** | **(259.56)** | **-** | **20,467.26** |

## NOTE 12: OTHER CURRENT LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Advances from Customers | 159.76 | 807.35 |
| Dues payable to Government Authorities | 2,526.55 | 780.79 |
| Liability for Export Obligation | - | 57.46 |
| | **2,686.31** | **1,645.60** |

## NOTE 13: CURRENT TAX LIABILITIES (NET)

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Provision for Income Tax | 1,207.31 | 208.17 |
| [Net of Advance Tax ₹ 23,196.94 Lakhs (31 March, 2017: ₹ 16,346.01 Lakhs) | | |
| | **1,207.31** | **208.17** |

## NOTE 14: REVENUE FROM OPERATIONS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Sales of Finished Goods ** | | |
| Carbon black | 251,141.84 | 204,327.31 |
| Sale of Power | 8,454.65 | 8,508.88 |
| Other Operating Revenues | | |
| Scrap sales | 434.65 | 290.67 |
| | **260,031.14** | **213,126.86** |

** Post the applicability of Goods and Service Tax (GST) with effect from July 1,2017, Revenue from Operations are required to be disclosed net of GST In accordance with the requirements of Ind AS. Accordingly the Sale of Finished Goods - Carbon Black for the year ended 31 March 2018 include excise duty collected on sales for the period from 1 April 2017 to 30 June 2017 and Sale of Finished Goods - Carbon Black for previous year ended 31 March 2017 include excise duty collected on sales for the whole year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 15: OTHER INCOME

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Interest income from certain financial assets | 144.99 | 196.07 |
| Dividend income from equity instruments designated at FVOCI | 266.27 | 264.12 |
| Others | | |
| Gain on sale of investments carried at FVTPL | 927.33 | 842.82 |
| Gain on subleasing of land (net-off lease rentals pending to be amortised) | 953.59 | - |
| Fair Value gains on financial assets (investments) at FVTPL | 220.84 | 153.78 |
| Liability no longer required written back | 40.14 | 13.38 |
| Allowance for doubtful debts/expected credit loss written back | 249.06 | 216.78 |
| Allowance for doubtful advances written back | - | 117.50 |
| Miscellaneous income | 77.64 | 59.24 |
| | **2,879.86** | **1,863.69** |

## NOTE 16(a) : COST OF MATERIAL CONSUMED

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Opening Stock | 16,497.90 | 15,540.64 |
| Add : Purchases | 171,750.01 | 123,083.62 |
| Less : Closing Stock | (23,158.49) | (16,497.90) |
| | **165,089.42** | **122,126.36** |

a) Raw material purchase is net of ₹ 2,088.46 Lakhs [31 March, 2017: ₹ 1,841.85 Lakhs] being benefits under duty exemption/benefit scheme pertaining to exports.

b) Raw material consumption includes amount accrued on account of a disputed arbitration awarded against the Company during the year, relating to purchase of raw material in earlier years and Entry taxes payable on imports of raw materials into the state of West Bengal consequent to a recent ruling of the Hon'ble Supreme Court in the matter of Entry taxes.

## NOTE 16(b) : CHANGES IN INVENTORIES OF FINISHED GOODS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Closing Stock (Carbon black) | 2,771.72 | 3,613.43 |
| Less: Opening Stock (Carbon black) | (3,613.43) | (5,140.98) |
| | **841.71** | **1,527.55** |

## NOTE 17 : EMPLOYEE BENEFITS EXPENSE

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Salaries and wages | 8,122.18 | 6,897.97 |
| Contribution to provident and other funds (Refer note 10.2) | 732.69 | 488.96 |
| Staff welfare expense (Refer note 10.2) | 880.98 | 810.09 |
| | **9,735.85** | **8,197.02** |

## NOTE 18 : FINANCE COSTS

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Interest expense on financial liabilities carried at amortised cost | 3,872.38 | 4,598.68 |
| Other Borrowings Costs - Loan processing charges | 261.34 | 468.94 |
| Exchange loss on foreign currency transactions and translations | 9.81 | 77.27 |
| (to the extent regarded as adjustment to borrowing cost) | | |
| | **4,143.53** | **5,144.89** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 19 : DEPRECIATION AND AMORTISATION EXPENSES

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Depreciation of property, plant and equipments | 6,049.88 | 6,048.65 |
| Amortization of intangible assets | 2.51 | 13.33 |
| | **6,052.39** | **6,061.98** |

## NOTE 20 : OTHER EXPENSES

| | | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| Consumption of stores and spares | | 4,136.74 | 3,570.13 |
| Consumption of packing materials | | 5,206.88 | 4,725.53 |
| Power and fuel | | 2,233.60 | 1,845.94 |
| Water charges | | 419.48 | 318.70 |
| Rent | | 2,098.39 | 2,293.19 |
| Rates and taxes | | 980.95 | 370.02 |
| Repairs : | | | |
| - Buildings | | 319.69 | 267.23 |
| - Plant and Machinery | | 3,015.64 | 1,257.48 |
| - Others | | 253.74 | 222.69 |
| Insurance | | 161.27 | 136.98 |
| Travelling and transport expenses | | 1,299.81 | 1,075.11 |
| Subscriptions and donations | | 136.49 | 44.35 |
| Freight outward (net of recovery) | | 6,807.36 | 4,163.34 |
| Commission to selling agents | | 2,677.65 | 2,939.79 |
| Directors' fees & Commission | | 918.65 | 31.74 |
| Research and development expenses (refer note 22) | | 783.48 | 480.26 |
| Hedging cost | | 2,831.17 | 4,611.76 |
| Net (gain) on foreign currency transaction/translation | | (1,001.74) | (1,901.16) |
| Loss on disposal of property, plant and equipments/Capital work in progress written off | | 579.06 | 697.73 |
| Balance with government authorities written off | | - | 475.95 |
| Allowance for doubtful advances | | - | 368.32 |
| Advances written off | | - | 135.17 |
| Bad Debt Written off during the year : | 397.43 | | |
| Less : Adjusted with provision | (397.43) | - | - |
| Allowance for doubtful debts/expected credit loss - trade receivable | | 50.00 | 766.72 |
| Corporate Social Responsibility Expenditure [refer note (a) below] | | 160.96 | - |
| Payment to auditors [refer note (b) below] | | 65.93 | 67.40 |
| Miscellaneous expenses | | 7,216.09 | 6,067.32 |
| | | **41,351.29** | **35,031.69** |

### 20(a) : Corporate Social Responsibility Expenditure

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (i) | Gross Amount required to be spent by the Company during the year (2% of the Average Net Profit) | 159.06 | - |
| (ii) | For purpose other than construction/acquisition of any asset | | |
| | In Cash* | 160.96 | - |

* Includes ₹116 Lakhs paid to registered Trust for carrying out CSR activities

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

### 20(b) : Details of payment to auditors

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| **As auditor:** | | |
| Audit Fees | 40.50 | 35.00 |
| Tax audit fees | 6.00 | 5.75 |
| Limited review* | 11.50 | 11.25 |
| **In other capacity:** | | |
| Others services (Certification fees)^ | 7.03 | 13.00 |
| Reimbursement of expenses | 0.90 | 2.40 |
| | **65.93** | **67.40** |

* ₹ 3.5 Lakhs being paid to erstwhile auditors
^ ₹ 6 Lakhs being paid to erstwhile auditors

## NOTE 21 : TAX EXPENSE

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| **(a) Income-tax expense recognised in the statement of Profit and Loss** | | |
| **Current tax** | | |
| Current tax on profits for the year | 9,178.92 | 3,825.58 |
| Adjustments for current tax for earlier years | - | (213.80) |
| **Total current tax expense** | **9,178.92** | **3,611.78** |
| **Deferred Tax** | | |
| Origination and reversal of temporary differences | (1,775.51) | 5,988.68 |
| **Total deferred tax expense (benefit)** | **(1,775.51)** | **5,988.68** |
| **Income-tax expense reported in the Statement of Profit and Loss** | **7,403.41** | **9,600.46** |
| **(b) Income-tax expense on other comprehensive income** | | |
| Current Tax - Remeasurement of post employment defined benefit obligation | 101.40 | 74.79 |
| **Total current tax expense** | **101.40** | **74.79** |
| Deferred tax - Remeasurement of post employment defined benefit obligation | - | 121.48 |
| Deferred tax - Fair value through other comprehensive income - equity instruments | (2,687.32) | 138.08 |
| **Total deferred tax (expense) benefit recognised in Other Comprehensive Income** | **(2,687.32)** | **259.56** |
| **Income-tax expense recognised in other comprehensive income** | **(2,585.92)** | **334.35** |
| **(c) Reconciliation of statutory rate of tax and the effective rate of tax** | | |
| **Profit before income tax** | 30,363.50 | 16,469.31 |
| Enacted income tax rate in India applicable to the Company | 34.61% | 34.61% |
| Tax on profit before tax at the enacted Income tax rate in India | 10,508.81 | 5,700.03 |
| **Adjustments:** | | |
| **Tax effect of amounts which are not deductible (taxable) in calculating taxable income:** | | |
| Items not deductible/Income exempt from tax | 471.04 | 1,191.87 |
| Incentives/additional benefits allowable under Income-tax | (3,632.77) | (990.48) |
| Income tax written back in respect of earlier years | - | (213.80) |
| Tax on book profit under section 115JAA | - | 3,675.00 |
| Other items | 56.33 | 237.84 |
| **Total Income tax expense** | **7,403.41** | **9,600.46** |
| Effective tax rate | 24.38% | 58.29% |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 22: RESEARCH AND DEVELOPMENT EXPENSES

| | Year ended 31 March, 2018 | | | | | Year ended 31 March 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue Expenses** | Total | Durgapur | Kochi | Palej | Mundra | Total | Durgapur | Kochi | Palej | Mundra |
| Raw Materials Consumed | 228.97 | 25.06 | 107.96 | 32.19 | 63.76 | 174.26 | 38.29 | - | 90.69 | 45.28 |
| Salaries Wages and Bonus | 464.84 | 69.99 | 138.07 | 160.00 | 96.78 | 257.06 | 59.44 | 28.51 | 116.82 | 52.29 |
| Contribution to Provident and Other Funds | 10.63 | 1.86 | 1.55 | 5.69 | 1.53 | 32.18 | 7.18 | 3.52 | 14.89 | 6.59 |
| Staff Welfare Expense | 12.16 | 1.77 | 1.38 | 7.64 | 1.37 | 9.71 | 0.64 | 2.25 | 5.58 | 1.24 |
| Miscellaneous Expenses | 66.88 | 26.51 | 16.67 | 13.86 | 9.84 | 7.05 | 1.68 | 1.15 | 2.94 | 1.28 |
| **Total** | **783.48** | **125.19** | **265.63** | **219.38** | **173.28** | **480.26** | **107.23** | **35.43** | **230.92** | **106.68** |
| **Capital Expenditure** | | | | | | | | | | |
| Building under Construction (Included under Capital work in progress in schedule 3(c)) | 494.36 | | | | | 6.44 | | | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 23: CONTINGENT LIABILITIES

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| **Contingent Liabilities for :** | | |
| (a) (i) Claims against the Group not acknowledged as debts : | | |
| Income-tax matters under dispute | 361.84 | 253.08 |
| Excise duty matters under dispute | 524.95 | 478.81 |
| Sales tax matter under dispute | 12.78 | 12.78 |
| Service tax matters under dispute | 705.95 | 312.76 |
| Value added tax matters under dispute | 164.95 | 1,251.17 |
| (ii) Other money for which the Group is contingently liable | | |
| Excise duty matters under dispute | 156.53 | 156.57 |
| Entry tax matter under dispute | - | 2,313.35 |
| (b) Outstanding bank guarantees etc. | 1,606.16 | 454.06 |
| (c) Guarantees or counter guarantees or counter indemnity given by the Group | | |
| On behalf of bodies corporate and others | | |
| - Limit | 9.00 | 9.00 |
| - Outstanding | 9.00 | 9.00 |

It is not practicable for the Group to estimate the timings of the cash outflow, if any, in respect of the above contingent liabilities pending resolution of the respective proceedings. The Group does not expect any reimbursement in respect of the above contingent liabilities. Also refer Note 31

## NOTE 24: COMMITMENTS

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| (a) | Capital Commitments | | |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for Property, plant and equipment (Net) | 2,545.53 | 607.36 |
| (b) | Non-cancellable operating leases | | |
| | Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| | Within one year | 494.77 | 274.76 |
| | Later than one year but not later than five years | 579.35 | 210.85 |
| | Later than five years | 11.06 | 20.76 |
| | | **1,085.18** | **506.37** |
| (c) | Other Commitments: | | |
| | Export commitments in lieu of imported capital goods under the Export Promotion Capital Goods (EPCG) scheme | - | 1,046.34 |

## NOTE 25: DIVIDEND ON EQUITY SHARES

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Final Dividend for the year ended 31 March, 2016 of ₹ 2.50/- per share on the face value of ₹ 10/- per share | - | 861.69 |
| Dividend Distribution tax on above | - | 175.42 |
| Interim Dividend for the year ended 31 March, 2018 of ₹ 6/- per share on the face value of ₹ 10/- per share (31 March, 2017 ₹ 6/- per share) | 2,068.05 | 2,068.05 |
| Dividend Distribution tax on above | 421.01 | 421.01 |
| | **2,489.06** | **3,526.17** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 26 EARNING PER EQUITY SHARES

| | | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|---|
| **Basic and Diluted** | | | |
| (i) | Number of Equity Shares outstanding [Refer note 7(ii)] | 172,337,860 | 172,337,860 |
| (ii) | Face value of each Equity Shares (₹) | 2.00 | 2.00 |
| (iii) | Profit after Tax available for Equity Shareholders (₹ in Lakhs) | 22,960.09 | 6,868.85 |
| (iv) | Basic and Diluted earnings per Share (₹) [(iii)/(i)] | 13.32 | 3.98 |

## NOTE 27: RELATED PARTY TRANSACTIONS

### (a) Holding Company

The Group is controlled by the following entity with effect from 6 March, 2017

| Name | Type | Place of Incorporation | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|---|
| Rainbow Investments Limited | Holding Company | India | 50.20% | 50.20% |

### (b) Key management personnel of the Group and Holding Company with whom transactions have taken place

| | Name | Relationship |
|---|---|---|
| i) | Sanjiv Goenka | Chairman and Non Executive Director |
| ii) | Shashwat Goenka | Non Executive Director |
| iii) | Kaushik Roy | Managing Director |
| iv) | C R Paul | Non Executive Independent Director |
| v) | O P Malhotra | Non Executive Independent Director |
| vi) | K S B Sanyal | Non Executive Independent Director |
| vii) | Paras K Chowdhary | Non Executive Independent Director |
| viii) | Pradip Roy | Non Executive Independent Director |
| ix) | Kusum Dadoo | Non Executive Independent Director |
| x) | Sunil Bhandari | Employee holding Directorship in Holding Company |
| xi) | Subhrangshu Chakraborty | Employee holding Directorship in Holding Company |
| xii) | Raj Kumar Gupta | Chief Financial Officer |
| xiii) | Kaushik Mukherjee | Company Secretary |

### (c) Others with whom transactions have taken place during the financial year 2017-18 / balance due to/from as on 31 March, 2018

| Name | Relationship |
|---|---|
| Rainbow Investments Limited | Holding Company |
| RPG Power Trading Company Limited | Fellow Subsidiary |
| Trade Apartment Private Limited | Fellow Subsidiary |
| Dynamic Success Projects Private Limited | Fellow Subsidiary |
| CESC Limited | Company under control of Holding Company as per Ind-AS 110 |
| Duncan Brothers & Co. Ltd | Associate of Holding Company |
| Harrisons Malayalam Limited | Associate of Holding Company |
| Woodlands Multispeciality Hospital Limited | Associate of Holding Company |
| Duncan Agency Senior Staff Superannuation Fund No. 3 (Superannuation Fund) | Post Employment Benefit Plan of the Company |
| Phillips Carbon Black Limited Employees' Gratuity Fund (Gratuity Fund) | Post Employment Benefit Plan of the Company |
| Phillips Carbon Black Limited Staff Provident Institution (Provident Fund) | Post Employment Benefit Plan of the Company |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(d) Transactions with related parties**

A) Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Recovery of reimbursement of expenses | 2.82 | 0.61 |
| Dividend paid on equity shares | 1,038.18 | 1,468.59 |
| Dividend received on preference shares | 63.50 | 95.50 |
| Purchase of Investments* | 2,615.72 | - |

* Acquired by erstwhile subsidiary company subsequently merged with the company

B) Associates of Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Accommodation charges paid | | |
| Duncan Brothers & Co. Ltd | 0.76 | 0.02 |
| b) Reimbursement of expenses | | |
| Woodland Multispeciality Hospital Limited | 0.19 | - |
| c) Miscellaneous expenses paid | | |
| Harrisons Malayalam Limited | 0.04 | 0.06 |

C) Company under control of Holding Company as per Ind-AS 110

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| CESC Limited | | |
| Accommodation charges paid | 1.85 | 0.12 |
| Reimbursement of expenses | 41.04 | 48.35 |
| Expenses incurred and recovered | 24.81 | 26.36 |
| Electricity charges paid | 2.24 | 0.23 |
| Dividend received | 202.34 | - |

D) Fellow Subsidiaries

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Rent paid | | |
| Dynamic Success Projects Private Limited | 2.81 | 0.25 |
| Trade Apartment Private Limited | 3.11 | 0.25 |
| b) Reimbursement of expenses | | |
| Dynamic Success Projects Private Limited | 3.19 | 0.25 |
| Trade Apartment Private Limited | 3.55 | 0.25 |
| RPG Power Trading Limited | 1.18 | - |
| c) Power selling expenses recovered/recoverable | | |
| RPG Power Trading Company Limited | 137.47 | 14.67 |
| d) Power sales | | |
| RPG Power Trading Company Limited | 4,739.77 | 539.89 |

E) Post Employment Benefit Plans

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| a) Advance given to Gratuity Fund | 122.58 | 86.15 |
| b) Advance - recovered from Gratuity Fund | 132.67 | 83.08 |
| c) Contribution towards Gratuity fund | 212.09 | 262.81 |
| d) Contribution towards Provident fund | 186.13 | 154.51 |
| e) Contribution towards Superannuation fund | 89.98 | 63.95 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## F) Key management personnel of the Company and Holding Company

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| (i) Remuneration to Key Management Personnel | | |
| Mr. Kaushik Roy, Managing Director | 711.72 | 506.10 |
| Mr. Raj Kumar Gupta, Chief Financial Officer | 78.00 | 59.21 |
| Mr. Kaushik Mukherjee, Company Secretary | 69.47 | 47.32 |
| (ii) Sitting fees paid to Key Management Personnel | | |
| Mr. Sanjiv Goenka | 2.01 | 3.00 |
| Mr. Shashwat Goenka | 2.06 | 3.55 |
| Mr. C R Paul | 2.21 | 4.90 |
| Mr. O P Malhotra | 3.06 | 4.80 |
| Mr. K S B Sanyal | 2.51 | 3.00 |
| Mr. Paras K Chowdhary | 2.31 | 4.00 |
| Mr. Pradip Roy | 3.01 | 4.50 |
| Ms. Kusum Dadoo | 1.51 | 3.70 |
| (iii) Advance given to Managing Director | | |
| Advance given | - | 40.00 |
| Advance recovered [including ₹ Nil (31 March, 2017 - ₹ 36 Lakhs) adjusted with remuneration] | - | 76.00 |
| (iv) Remuneration to Key Managerial Personnel of Holding company | | |
| Mr. Sunil Bhandari | 169.90 | 11.50 |
| Mr. Subhranghshu Chakrabarti | 120.99 | 7.35 |

## g) Remuneration to Key Management Personnel

| | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| Short-term employee benefits | 801.39 | 597.32 |
| Post-employment benefits | 33.49 | 9.27 |
| Other long-term benefits | 24.31 | 6.04 |

## (h) Balance Outstanding at the year end

| | | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|---|
| I) | **Holding Company** | | |
| | Receivable from Rainbow Investments Limited | - | 59.82 |
| | Investment in preference shares | 4,249.67 | 2,665.73 |
| II) | **Fellow Subsidiaries** | | |
| | Receivable from Dynamic Success Projects Private Limited | 200.00 | 199.07 |
| | Receivable from Trade Apartment Private Limited | 199.79 | 203.10 |
| | Receivable from RPG Power Trading Company Limited | 17.02 | 134.70 |
| III) | **Associates of Holding Company** | | |
| | Receivable/ (payable) from Duncan Brothers & Co. Ltd. | 0.03 | (0.32) |
| | Receivable from Harrisons Malayalam Limited | 8.93 | 8.93 |
| | Payable to Woodlands Multispeciality Hospital Limited | 0.01 | 0.02 |
| IV) | **Company under control of Holding Company as per Ind-AS 110** | | |
| | Receivable from CESC Limited | 16.10 | 34.19 |
| V) | **Post Employment Benefit Plan** | | |
| | Receivable / (Payable) from Gratuity Fund | (0.15) | 9.94 |
| VI) | **Terms and Conditions** | | |
| | All other transactions were made on normal commercial terms and conditions and at market rates. | | |
| | All outstanding balances are unsecured and are repayable in cash. | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 28: SEGMENT

### (a) Description of segments and principal activities

The Parent Company's Managing Director examines the Company's performance and has identified two reportable segments of its business.

Carbon Black : The Group is primarily engaged in production of Carbon Black through its four manufacturing units located at Durgapur, Kochi, Vadodara and Mundra

Power: The Group is also engaged in generation of electricity for the purpose of captive consumptions as well as distribution of surplus to outsiders.

The segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the Consolidated financial statement. Also the group's borrowings (including finance costs and interest income), income taxes, investments are managed at head office and are not allocated to operating segments.

Inter-Segment transfers being power consumed for manufacture Carbon Black are based on price paid for power purchased from external sources. Segment revenue is measured in the same way as in the Statement of Profit and Loss.

Segment assets and liabilities are measured in the same way as in the Consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

All non-current assets of the Group (excluding certain financial assets) are located in India.

### (b) Segment Revenue, Segment Earnings and other information as at / for the year ended:-

**Segment Revenue :**

| Particulars | Year ended 31 March, 2018 | | | Year ended 31 March, 2017 | | |
|---|---|---|---|---|---|---|
| | Carbon Black | Power | Total | Carbon Black | Power | Total |
| Revenue from external customers | 251,141.84 | 8,454.65 | 259,596.49 | 204,327.31 | 8,508.88 | 212,836.19 |
| Other operating Revenues | 434.65 | - | 434.65 | 290.67 | - | 290.67 |
| Total revenue from operations | 251,576.49 | 8,454.65 | 260,031.14 | 204,617.98 | 8,508.88 | 213,126.86 |
| Inter-segment revenue | - | 6,180.93 | 6,180.93 | - | 5,652.58 | 5,652.58 |
| **Total segment revenue** | **251,576.49** | **14,635.58** | **266,212.07** | **204,617.98** | **14,161.46** | **218,779.44** |

Revenue of ₹ 84,252.43 Lakhs (31 March 2017- ₹ 76,158.99 Lakhs) are derived from two external customers in the Carbon Black segment, each of whom contribute to more than 10% of the total revenue.

The Operating Companies of the Group are domiciled in India. The amount of its revenue from external customers broken down by the location of the customers is shown in table below:

| Revenue from external customers | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| India | 205,156.01 | 169,970.43 |
| Other countries | 54,875.13 | 43,156.43 |
| **Total** | **260,031.14** | **213,126.86** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

### Segment Result:

| Particulars | Year ended 31 March, 2018 Carbon Black | Power | Total | Year ended 31 March, 2017 Carbon Black | Power | Total |
|---|---|---|---|---|---|---|
| Segment profit before interest and tax | 32,476.37 | 9,827.33 | 42,303.70 | 19,681.68 | 9,627.56 | 29,309.24 |
| Reconciliation to Profit before tax | | | | | | |
| Finance Cost | - | - | (4,143.53) | - | - | (5,144.89) |
| Interest Income | - | - | 144.99 | - | - | 196.16 |
| Unallocated expenses (Net) | - | - | (7,941.66) | - | - | (7,891.20) |
| **Profit before tax** | **32,476.37** | **9,827.33** | **30,363.50** | **19,681.68** | **9,627.56** | **16,469.31** |

| Particulars | 31 March, 2018 Carbon Black | Power | Unallocated | Total | 31 March, 2017 Carbon Black | Power | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|
| Depreciation/Amortisation | 3,682.32 | 2,249.98 | 120.09 | 6,052.39 | 3,450.93 | 2,244.24 | 366.81 | 6,061.98 |
| Non cash expense | 5,839.73 | - | - | 5,839.73 | 2,188.13 | - | 370.58 | 2,558.71 |

### Segment Assets :

| Particulars | 31 March, 2018 Carbon Black | Power | Total | 31 March, 2017 Carbon Black | Power | Total |
|---|---|---|---|---|---|---|
| Segment Assets | 202,748.08 | 30,876.35 | 233,624.43 | 191,483.09 | 31,475.89 | 222,958.98 |
| Reconciliation to total assets | | | | | | |
| Investments | - | - | 31,575.52 | - | - | 29,082.34 |
| Other unallocable assets | - | - | 21,937.30 | - | - | 5,965.86 |
| **Total assets as per the balance sheet** | **202,748.08** | **30,876.35** | **287,137.25** | **191,483.09** | **31,475.89** | **258,007.18** |

| Particulars | Year ended 31 March, 2018 Carbon Black | Power | Unallocated | Total | Year ended 31 March, 2017 Carbon Black | Power | Unallocated | Total |
|---|---|---|---|---|---|---|---|---|
| Addition to Non current assets other than financial assets | 7,765.92 | 1,670.88 | 807.08 | **10,243.88** | 2,859.76 | 373.51 | 53.80 | **3,287.07** |

**The total of segments assets broken down by location of the assets, is shown below:**

| Assets by geographical location | 31 March, 2018 | 31 March, 2017 |
|---|---|---|
| India | 224,491.51 | 215,119.60 |
| Other countries | 9,132.92 | 7,839.38 |
| **Total** | **233,624.43** | **222,958.98** |

### Segment Liabilities:

| Particulars | 31 March, 2018 Carbon Black | Power | Total | 31 March, 2017 Carbon Black | Power | Total |
|---|---|---|---|---|---|---|
| Total Segment liabilities | 41,204.54 | 585.33 | 41,789.88 | 45,171.25 | 611.17 | 45,782.42 |
| Reconciliation to total liabilities | | | | | | |
| Borrowings | - | - | 71,733.79 | - | - | 75,821.17 |
| Current Tax Liabilities (Net) | - | - | 1,207.31 | - | - | 308.40 |
| Deferred Tax Liabilities | - | - | 22,727.27 | - | - | 20,457.26 |
| Other Unallocated liabilities | - | - | 11,258.08 | - | - | 1,984.64 |
| **Total liabilities as per the balance sheet** | **41,204.54** | **585.33** | **148,716.34** | **45,171.25** | **611.17** | **144,353.89** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

## NOTE 29: FAIR VALUE MEASUREMENT

**Financial instruments by category**

| | As at 31 March, 2018 | | | | As at 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised Cost | Total | FVPL | FVOCI | Amortised Cost | Total |
| **Financial assets** | | | | | | | | |
| Investments | | | | | | | | |
| - Equity instruments | - | 24,954.30 | - | 24,954.30 | - | 16,913.65 | - | 16,913.65 |
| - Preference Shares | 6,621.22 | - | - | 6,621.22 | 2,665.73 | - | - | 2,665.73 |
| - Mutual Funds | - | - | - | - | 9,502.97 | - | - | 9,502.97 |
| Trade receivables | - | - | 52,197.46 | 52,197.46 | - | - | 46,565.61 | 46,565.61 |
| Loans | - | - | 1,365.49 | 1,365.49 | - | - | 1,376.25 | 1,376.25 |
| Cash and cash equivalents | - | - | 17,159.71 | 17,159.71 | - | - | 2,322.85 | 2,322.85 |
| Other bank balances | - | - | 97.13 | 97.13 | - | - | 129.75 | 129.75 |
| Other financial assets | - | - | 597.34 | 597.34 | | - | 283.28 | 283.28 |
| **Total financial assets** | **6,621.22** | **24,954.30** | **71,417.13** | **102,992.65** | **12,168.70** | **16,913.65** | **50,677.74** | **79,760.09** |
| **Financial liabilities** | | | | | | | | |
| Borrowings | - | - | 68,689.49 | 68,689.49 | - | - | 73,830.65 | 73,830.65 |
| Current maturities of long term debt | - | - | 3,044.30 | 3,044.30 | - | - | 1,990.52 | 1,990.52 |
| Derivative financial liabilities | - | - | - | - | 1,402.57 | - | - | 1,402.57 |
| Trade payables | - | - | 38,041.13 | 38,041.13 | - | - | 41,616.71 | 41,616.71 |
| Other financial liabilities | | | 4,600.04 | 4,600.04 | | | 1,666.02 | 1,666.02 |
| **Total financial liabilities** | **-** | **-** | **114,374.96** | **114,374.96** | **1,402.57** | **-** | **119,103.90** | **120,506.47** |

### (ii) Fair Value

The fair values of financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Methods and assumptions used to estimate the fair values are consistent in all the years. The following methods and assumptions were used to estimate the fair values:

(a) In respect of investments in mutual funds, the fair values represent net asset value as stated by the issuers of these mutual fund units in the published statements. Net asset values represent the price at which the issuer will issue further units in the mutual fund and the price at which issuers will redeem such units from the investors. Accordingly, such net asset values are analogous to fair market value with respect to these investments, as transactions of these mutual funds are carried out at such prices between investors and the issuers of these units of mutual funds.

(b) In respect of investments in listed equity instruments, the fair values represents available quoted market price at the Balance Sheet date.

(c) The fair value of derivative contracts (foreign exchange forward contracts and Currency and Interest rate swaps) is determined using forward exchange rates at the Balance Sheet date.

(d) The management assessed that fair values, of trade receivables, cash and cash equivalents, other bank balances, loans, trade payables, current borrowings, other current liabilities and other financial liabilities (current), approximate to their carrying amounts largely due to the short-term maturities of these instruments. Further, management also assessed the carrying amount of certain non-current loans, non-current financial liabilities and long-term borrowings at floating interest rates which are a reasonable approximation of their fair values and the difference between the carrying amounts and fair values is not expected to be significant.

### (iii) Fair value of financial assets and liabilities measured at amortised cost

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Group does not anticipate that the carrying amount would be significantly different from the values that would eventually be received or settled.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

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**(iv) Fair value hierarchy**

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognised and measures at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. Explanation of each level follows underneath the table:

| Financial assets and liabilities measured at fair value - recurring fair value measurements | As at 31 March, 2018 | | | | As at 31 March, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | | | | |
| Financial assets at FVPL | | | | | | | | |
| Investments in mutual funds | - | - | - | - | 9,502.97 | - | - | 9,502.97 |
| Investments in preference shares | - | - | 6,621.22 | 6,621.22 | - | - | 2,665.73 | 2,665.73 |
| Financial assets at FVOCI | | | | | | | | |
| Investments in equity instruments | 16,345.17 | - | 8,609.13 | 24,954.30 | 14,249.48 | - | 2,664.17 | 16,913.65 |
| **Total financial assets** | **16,345.17** | **-** | **15,230.35** | **31,575.52** | **23,752.45** | **-** | **5,329.90** | **29,082.35** |
| Derivative financial liabilities not designated as hedges | | | | | | | | |
| Foreign-exchange forward contract | - | - | - | - | - | 1,402.57 | - | 1,402.57 |
| **Total financial liabilities** | **-** | **-** | **-** | **-** | **-** | **1,402.57** | **-** | **1,402.57** |

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have net asset value as stated by the issuers in the published statements. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There are no transfers between level 1 and level 2 fair value measurements during the year ended 31 March, 2018 and 31 March, 2017.

Some of the Group's financial assets are carried at fair value for which Level 3 inputs have been used. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Valuation inputs and relationship to fair value

| Particulars | Fair Value at | | Significant unobservable input | Sensitivity | |
|---|---|---|---|---|---|
| | 31 March, 2018 | 31 March, 2017 | | 31 March, 2018 | 31 March, 2017 |
| Unquoted equity shares | 8,609.13 | 2,664.17 | Earning growth rate / Discounting rate | Increase in earning growth rate by 1% and lower discount rate by 1% would increase fair value by ₹ 8.67 Lakhs | Increase in earning growth rate by 1% and lower discount rate by 1% would increase fair value by ₹ 13.18 Lakhs |
| | | | | Decrease in earning growth rate by 1% and higher discount rate by 1% would decrease fair value by ₹ 7.71 Lakhs | Decrease in earning growth rate by 1% and higher discount rate by 1% would decrease fair value by ₹ 11.55 Lakhs |
| Unquoted Preference shares | 6,621.22 | 2,665.73 | Discounting rate to determine PV | Decrease in discount rate by 1% will increase the fair value by ₹ 81.17 lakhs | Decrease in discount rate by 1% will increase the fair value by ₹ 76.20 lakhs |
| | | | | Increase in discount rate by 1% will decrease fair value by ₹ 79.26 Lakhs. | Increase in discount rate by 1% will decrease fair value by ₹ 73.97 Lakhs. |

**Valuation process :**
The main level 3 inputs for unquoted equity shares and unquoted preference share used by the Group are derived and evaluated as follows:

Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

## NOTE 30: FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprises of borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance and support the operations of the Group. The Group's principal financial assets include trade and other receivables, loans, investments and cash & cash equivalents that derive directly from its operations.

The Group's business activities are exposed to a variety of risks including liquidity risk, credit risk and market risk. The Group seeks to minimize potential adverse effects of these risks by managing them through a structured process of identification, assessment and prioritization of risks followed by co-ordinated efforts to monitor, minimize and mitigate the impact of such risks on its financial performance and capital. For this purpose, the Group has laid comprehensive risk assessment and minimization/mitigation procedures, which are reviewed by the Audit Committee and approved by the Board from time to time. These procedures are reviewed to ensure that executive management controls risks by way of properly defined framework. The Group does not enter into derivative financial instruments for speculative purposes.

**(A) Credit risk**

Credit risk refers to risk of financial loss to the Group if customers or counterparties fail to meet their contractual obligations. The Group is exposed to credit risk from its operating activities (mainly trade receivables) and from its investing activities (primarily deposit with banks and investment in mutual funds).

**(i) Credit risk management**

(a) Trade Receivable

Customer credit risk is managed by the Group through its established policies and procedures which involve setting up credit limits based on credit profiling of individual customers, credit approvals for enhancement of limits and regular monitoring of important developments viz. payment history, change in credit rating, regulatory changes, industry outlook etc. Outstanding receivables are regularly monitored and an impairment analysis is performed at each reporting date on an individual basis for each major customer. In addition, small customers are grouped into homogeneous groups

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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and assessed for impairment collectively. The Group also has a policy to provide for all receivables which are overdue for a period over 365 days. On account of adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or reversal thereof.

Reconciliation of loss allowance provision - Trade receivable are as follows:

| Particulars | Year ended 31 March, 2018 | Year ended 31 March, 2017 |
|---|---|---|
| **Loss allowance at the beginning of the year** | 1,443.64 | 893.70 |
| Change / (reversal) in allowance during the year (net) | (199.06) | 549.94 |
| Written off during the year | (397.43) | - |
| Loss allowance at the end of the year | 847.15 | 1,443.64 |

(b) Deposits and financial assets (Other than trade receivables):

The Group maintains exposure in cash and cash equivalents, term deposits with banks and money market liquid mutual fund schemes. Investments of surplus are made within assigned credit limits with approved counterparties who meet the threshold requirements with respect to ratings, financial strength, credit spreads etc. Counterparty credit limits are set to minimize concentration risk and are reviewed periodically by the Board.

## (B) Liquidity Risk

Liquidity risk implies that the Group may not be able to meet its obligations associated with its financial liabilities. The Group manages its liquidity risk on the basis of the business plan that ensures that the funds required for financing the business operations and meeting financial liabilities are available in a timely manner and in the currency required at optimal costs. The Management regularly monitors rolling forecasts of the Group's liquidity position to ensure it has sufficient cash on an ongoing basis to meet operational fund requirements. The surplus cash generated, over and above the operational fund requirement is invested in bank deposits / marketable debt securities/debt mutual fund schemes of highly liquid nature to optimize cash returns while ensuring adequate liquidity for the Group.

Additionally, the Group has committed fund and non-fund based credit lines from banks which may be drawn anytime based on Group's fund requirements. The Group maintains a cautious liquidity strategy with positive cash balance and undrawn bank lines throughout the year.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

| Contractual maturity of financial liability | Upto 1 year | 1 Year to 3 year | 3 year to 5 year | More than 5 years | Total |
|---|---|---|---|---|---|
| **31 March, 2018** | | | | | |
| Borrowings (including current maturities) | 55,308.30 | 9,643.04 | 5,183.59 | 1,598.86 | 71,733.79 |
| Trade payable | 38,041.13 | - | - | - | 38,041.13 |
| Other financial liabilities | 4,600.04 | - | - | - | 4,600.04 |
| | **97,949.47** | **9,643.04** | **5,183.59** | **1,598.86** | **114,374.96** |
| **31 March, 2017** | | | | | |
| Borrowings (including current maturities) | 56,804.92 | 9,094.85 | 4,144.70 | 5,776.70 | 75,821.17 |
| Trade payable | 41,616.71 | - | - | - | 41,616.71 |
| Other financial liabilities | 5,075.44 | 3,509.18 | 1,477.39 | 755.97 | 10,817.98 |
| | **103,497.07** | **12,604.03** | **5,622.09** | **6,532.67** | **128,255.96** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(C) Market Risk**

Market risk is the risk that the fair value of future cash flow of financial instruments may fluctuate because of changes in market conditions. Market risk broadly comprises three types of risks namely currency risk, interest rate risk and price risk (for commodities or equity instruments). The above risks may affect the Group's income and expenses and/or value of its investments. The Group's exposure to and management of these risks are explained below

**(i) Foreign currency risk**

The Group operates in international markets and therefore is exposed to foreign currency risk arising from foreign currency transactions. The exposure relates primarily to the Group's operating activities (when the revenue or expense is denominated in foreign currency), borrowings in foreign currencies and investment in overseas subsidiaries. Over ninety percent of Group's foreign currency transactions are in USD while the rest are in EURO, JPY and GBP. The risk is measured through forecast of highly probable foreign currency cash flows.

The Group's risk management policy is complete hedging of net foreign currency exposure at all points in time through foreign exchange forward contracts, vanilla option contracts and cross currency interest rate swaps. The objective of the hedging is to eliminate the currency risk due to volatility in exchange rates.

**(a) Foreign currency risk exposure**

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows:

| | 31 March, 2018 INR equivalent of | | | | 31 March, 2017 INR equivalent of | | | |
|---|---|---|---|---|---|---|---|---|
| | USD | EUR | JPY | GBP | USD | EUR | JPY | GBP |
| **Financial assets** | | | | | | | | |
| Trade receivables | 9,322.79 | 480.03 | 7.10 | 99.73 | 7,654.29 | 595.18 | 311.17 | 114.27 |
| **Net exposure to foreign currency risk (assets)** | **9,322.79** | **480.03** | **7.10** | **99.73** | **7,654.29** | **595.18** | **311.17** | **114.27** |
| **Financial liabilities** | | | | | | | | |
| Foreign currency loan | 44,072.61 | - | - | - | 27,225.45 | - | - | - |
| Trade payables | 28,679.20 | (1,566.26) | - | 39.89 | 31,658.82 | 10.69 | - | 16.06 |
| Other financial liabilities | - | - | - | - | 277.14 | - | - | - |
| **Derivative liabilities** | | | | | | | | |
| Foreign exchange forward contracts | | | | | | | | |
| Buy foreign currency | (65,186.52) | - | - | - | (53,713.38) | - | - | - |
| **Net exposure to foreign currency risk (liabilities)** | **7,565.29** | **(1,566.26)** | **-** | **39.89** | **5,448.03** | **10.69** | **-** | **16.06** |
| **Net exposure to foreign currency risk (Assets-Liabilities)** | **1,757.50** | **2,046.29** | **7.10** | **59.84** | **2,206.26** | **584.49** | **311.17** | **98.21** |

**(b) Sensitivity**

A fluctuation in the exchange rates of 1% with other conditions remaining unchanged would have the following effect on Group's profit or loss before taxes as at 31 March, 2018 and 31 March, 2017:

| | Impact on profit before tax | |
|---|---|---|
| | FY 2017-18 | FY 2016-17 |
| **USD sensitivity** | | |
| INR/USD- Increase by 1%* | 17.58 | 22.06 |
| INR/USD- Decrease by 1%* | (17.58) | (22.06) |
| **EUR sensitivity** | | |
| INR/EUR- Increase by 1% | 20.46 | 5.84 |
| INR/EUR- Decrease by 1% | (20.46) | (5.84) |
| **JPY sensitivity** | | |
| INR/JPY- Increase by 1% | 0.07 | 3.11 |
| INR/JPY- Decrease by 1% | (0.07) | (3.11) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

| | Impact on profit before tax | |
|---|---|---|
| | FY 2017-18 | FY 2016-17 |
| **GBP sensitivity** | | |
| INR/GBP- Increase by 1% | 0.60 | 0.98 |
| INR/GBP- Decrease by 1% | (0.60) | (0.98) |

* Holding all other variable constant

**(ii) Interest rate risk**

The Group's exposure to risk of change in market interest rates relates primarily to its debt interest obligations. It's borrowings are at floating rates and its future cash flows will fluctuate because of changes in market interest rates.

(a) Interest Rate Risk Exposure

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

| | 31 March, 2018 | 31 March, 2017 |
|---|---|---|
| Total borrowings (including current maturities) | 71,733.79 | 75,821.17 |

(b) Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

| | Impact on profit before tax | |
|---|---|---|
| | FY 2017-18 | FY 2016-17 |
| Interest Rates - Increase by 50 basis points (50 bps) * | (358.67) | (379.11) |
| Interest Rates - Decrease by 50 basis points (50 bps) * | 358.67 | 379.11 |

* Holding all other variable constant

**(iii) Security Price risk**

Securities price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded prices.

The Group invests its surplus funds in various debt instruments and equity instruments. These comprise of mainly liquid schemes of mutual funds, short term debt funds & income funds (duration investments). certain quoted equity instruments and bank fixed deposits. To manage its price risk arising from investments in mutual funds and equity instruments, the Group diversifies its portfolio. Mutual fund and equity investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments.

**(a) Securities Price Risk Exposure**

The Group's exposure to securities price risk arises from investments in mutual funds and equity instruments held by the Group and classified in the Balance Sheet as fair value through profit or loss/fair value through other comprehensive income is disclosed under Note 29.

**(b) Sensitivity**

The sensitivity of profit or loss to changes in Net Assets Values (NAV's) as at year end for investments in mutual funds.

| | Impact on profit before tax | |
|---|---|---|
| | FY 2017-18 | FY 2016-17 |
| NAV of mutual funds/Market price of quoted equity instruments - Increase by 1%* | - | 237.52 |
| NAV of mutual funds/Market price of quoted equity instruments - Decrease by 1%* | - | (237.52) |

* Holding all other variable constant

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
as at and for the year ended 31 March 2018

(All amounts in ₹ Lakhs, unless otherwise stated)

**(D) Commodity Price Risk**

Commodity price risk results from changes in market prices for raw materials, mainly carbon black feedstock which forms the largest portion of Group's cost of sales.

The Group endeavors to reduce such risks by maintaining inventory at optimum level through a highly probable sales forecast on quarterly basis and also through worldwide purchasing activities. Raw materials are purchased exclusively to cover Group's own requirements. Further, a significant portion of Group's volume is sold based on formula-driven price adjustment mechanism which allows for recovery of the changed raw material cost from customers. The Group also endeavors to offset the effects of increases in raw material costs through price increases in its non-contract sales, productivity improvement and other cost reduction efforts. The Group has not entered into any derivative contracts to hedge exposure to fluctuations in commodity prices.

**31** The Group is a respondent in an enquiry by Central Govt. authorities in relation to investments, amounting to ₹ 2,752.79 Lakhs made by the Group in its foreign subsidiaries in earlier years. The Group has submitted point wise clarifications and responses against each of the queries raised by the authorities and has requested to withdraw the Show Cause Notice (SCN). The Group now awaits the judgment in this matter.

## NOTE 32: CAPITAL MANAGEMENT

For the purposes of the Group's capital management, capital includes issued capital, all other equity reserves and long term borrowed capital less reported cash and cash equivalents.

The primary objective of the Group's capital management is to maintain an efficient capital structure to reduce the cost of capital, support the corporate strategy and to maximise shareholder's value.

The Group's policy is to borrow primarily through banks to maintain sufficient liquidity. The Group also maintains certain undrawn committed credit facilities to provide additional liquidity. These borrowings, together with cash generated from operations are utilised for operations of the Group.

The Group monitors capital on the basis of cost of capital. The Group is not subject to any externally imposed capital requirements.

The following table summaries the capital of the Group:

| | As at 31 March, 2018 | As at 31 March, 2017 |
|---|---|---|
| Long Term Borrowing (including current maturities of long term debt) | 19,469.79 | 21,006.77 |
| Short Term Borrowing | 52,264.00 | 54,814.40 |
| Less: Cash and cash equivalents | 17,159.71 | 2,322.85 |
| **Total Borrowing (Net)** | **54,574.08** | **73,498.32** |
| Total equity | 138,420.91 | 113,653.29 |
| **Total Capital (Equity+ Net Debt)** | **192,994.98** | **187,151.61** |

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 March, 2018 and 31 March, 2017.

**33.** Figures of the previous year has been regrouped/rearranged to confirm current year's presentation.

For S. R Batliboi & Co. LLP
ICAI Firm Registration Number 3010003E/E300005
Chartered Accountants

Kamal Agarwal
Partner
Membership Number 058652

Kolkata
Date: May 4, 2018

For and on behalf of Board of Directors

Kaushik Roy
Managing Director
(DIN: 06513489)

K. S. B. Sanyal
Director
(DIN: 00009497)

Kusum Dadoo
Director
(DIN: 06967827)

Kaushik Mukherjee
Company Secretary

Raj Kumar Gupta
Chief Financial Officer

# FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

## PART "A" : SUBSIDIARIES

**(Information in respect of each subsidiary to be presented with amounts in ₹ in lakhs)**

| Sl. No. | Name of the subsidiary | 1<br>Phillips Carbon Black Cyprus Holdings Ltd | 2<br>PCBL Netherlands Holdings B.V. | 3<br>Phillips Carbon Black Vietnam Joint Stock Company |
|---|---|---|---|---|
| 1 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | No | No | No |
| 2 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | Euro<br>80.30 | Euro<br>80.30 | VND<br>0.0029 |
| 3 | Share capital | 14.55 | 14.45 | 3,431.03 |
| 4 | Reserves & surplus | 2,089.07 | 2,395.84 | (1,213.46) |
| 5 | Total assets | 2,825.93 | 2,808.92 | 3,876.56 |
| 6 | Total Liabilities | 722.31 | 398.63 | 1,659.00 |
| 7 | Investments | 2,427.30 | 2,435.58 | - |
| 8 | Turnover | - | - | - |
| 9 | Profit before taxation | (4.72) | - | 378.79 |
| 10 | Provision for taxation | (0.72) | - | - |
| 11 | Profit after taxation | (5.44) | - | 378.79 |
| 12 | Proposed Dividend | - | - | - |
| **13** | **% of shareholding** | 100% | 100% | 80% |

| | | | | |
|---|---|---|---|---|
| Notes :The following information shall be furnished at the end of the Statement: | | | | |
| 1 | Names of subsidiaries which are yet to commence operations | NA | | |
| 2 | Names of subsidiaries which have been liquidated or sold during the year | NA | | |

## PART "B" : ASSOCIATES AND JOINT VENTURES

**Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and joint Ventures**

| | Name of Associates / Joint Ventures | NA |
|---|---|---|
| 1 | Latest audited Balance Sheet Date | - |
| 2 | Shares of Associates / Joint Ventures held by the company at the year end | - |
| 3 | Amount of Investment in Association / Joint Venture Extend of Holding % | - |
| 3 | Description of how there is significant influence | - |
| 4 | Reason why the associate/Joint venture is not consolidated | - |
| 5 | Networth attribuite to Shareholding as per latest audited Balance Sheet | - |
| 6 | Profit / Loss for the year | - |
| | i. Considered in Consolidation | - |
| | ii. Not Considered in Consolidation | - |

# NOTES

# NOTES

Aerial view of our plant at Mundra

**Phillips Carbon Black Limited**

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