



**RP- Sanjiv Goenka
Group**
Growing Legacies


Phillips Carbon Black Limited

Date:- 13th February, 2020

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:- Corporate Governance Rating

We write to inform you that with regard to the Corporate Governance Rating of Phillips Carbon Black Limited, the following ratings have been assigned by the Rating Committee of CARE which is mentioned herein below:-

Particulars	Rating	Remarks
Corporate Governance Rating	CARE CGR2+ (CGR Two Plus)	Assigned

This is for your information and record please.

Thanking you,

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

K. Mukherjee
Company Secretary and Chief Legal Officer

Encl: As above

CARE/KRO/RL/2019-20/2612

Mr Kaushik Mukherjee
Company Secretary and Chief Legal Officer
Phillips Carbon Black Ltd
2/4 Judges Court, 4th Floor
Kolkata 700027

February 12, 2020

Confidential

Dear Sir,

Corporate Governance Rating

Please refer to your request for corporate governance rating of your company.

2. The following ratings have been assigned by our Rating Committee:

Particulars	Rating ¹	Remarks
Corporate Governance Rating	CARE CGR 2+ (CGR Two Plus)	Assigned

3. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is Feb 5, 2020).
4. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure-2. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 13, 2020, we will proceed on the basis that you have no comments to offer.
5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

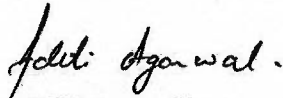
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publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

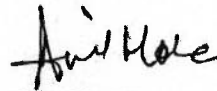
Yours faithfully,



[Aditi Agarwal]

Deputy Manager

aditi.agarwal@careratings.com



[Anil More]

Sr. Manager

anil.more@careratings.com

Encl.: As above

Disclaimer

CARE's Corporate Governance Rating (CGR) is an opinion on the relative standing of an entity with regard to adoption of corporate governance practices. It provides information to stakeholders as to the level of corporate governance practice of an entity. CARE's CGR rating is not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.

Draft Press Release
Phillips Carbon Black Ltd

Rating

Particulars	Rating ²	Rating Action
Corporate Governance Rating	CARE CGR 2+ (CGR Two Plus)	Assigned

Detailed Rationale, Key Rating Drivers

The corporate governance rating assigned to Phillips Carbon Black Ltd (PCBL) takes into account the professional management team with the role of the Chairman (Promoter) and the Managing Director (MD) separate, qualified and experienced board of directors, transparent and identifiable ownership structure, adequate engagement with investors with required disclosures to shareholders, well defined organization structure with adequate Management Information System (MIS) in place. Furthermore, the rating also derives comfort from adequate communications and disclosures to shareholders. However, there exists scope of improvement in areas such as the constitution of the board considering the long tenure of association and age of some of the independent directors, conducting external training programs for the directors, majority shareholding with promoters, number of board meetings in a year being limited to the statutory requirement and sole dependence on internal employees for the internal audit function.

Detailed description of key rating drivers

Key rating strengths

Professional management of the company with role of Chairman and MD are separate, and a qualified and experienced board of directors

PCBL's Board of Directors consists of nine directors as on December 31, 2019, comprising one executive, i.e., MD and eight non-executive directors. Out of the eight directors, three belong to the promoter's family and the remaining five directors are non-executive independent directors. The chairman and the managing director are two individuals and they are not related to each other. The independent directors come from diverse backgrounds- experience of the carbon black, the end user industry, banking and legal background. The board comprises well-qualified, eminent and experienced directors. All committees of the board except for the risk management committee continue to be led by the independent directors.

Transparent and identifiable ownership structure

PCBL's shareholding structure is transparent, with major shareholders being clearly identifiable with the promoters' family and companies floated by them holding 53.56% stake as on Dec 31, 2019. Institutional shareholders hold 12.60% stake in the company and balance is held by other public investors.

Adequate engagement with investors with required communication and disclosures to shareholders

The company has a separate section on the website for investors which provides details of its corporate profile, Board of Directors, financials (Annual as well as Quarterly), investor presentations, product range and has sufficient information for shareholders or prospective investor. The company accords due importance to the grievances of shareholders. During FY19, 27 investor complaints were received all of which were resolved till March 31, 2019. Further, during 9MFY20, five complaints were received and all were disposed during the respective quarters. It also attends several national and international analysts and investors meets. In FY19, it also prepared a sustainability review report for its investors voluntarily.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Well defined organization structure and MIS

PCBL has a clear organization structure with well-defined roles and responsibilities. The top management consists of experienced and qualified professionals with experience of more than two decades. PCBL's board has adopted a succession planning for the Board and the Senior Management.

Key Rating Weaknesses

Constitution of the board

Although the board is composed of eminent members, there is scope of improvement considering the long tenure of association and age of some of the independent directors. In addition, there are no external training programs organized for the directors.

Number of board meetings

The number of meetings of the board of directors in a year in PCBL is usually limited to the statutory requirement. There is scope of improvement here by increasing the engagement with independent directors either by meetings or by way of more frequent formal updates to them.

Majority shareholding with promoters

The promoters and the companies floated by them, collectively hold 53.56% stake in the company as on December 31, 2019. However, professional management of the company and composition of the board provide comfort.

Sole dependence on internal employees for internal audit

PCBL has an in house team that handles the internal audit function. While an internal team has better control over the business and processes of the company, an external internal audit usually has greater independence and may provide fresh perspective on the processes. There is scope for improvement here by the company opting for concurrent audits at certain intervals.

Analytical approach: Not Applicable

Applicable Criteria: Not Applicable

About the Company

Philips Carbon Black Limited (PCBL), incorporated in 1960, is engaged in the manufacturing & sale of carbon black, which is used in tyre & other rubber products. It is a leading domestic player with an installed capacity of 571,000 MTPA of carbon black. PCBL, a listed company, is managed under the stewardship of Kolkata-based RP-Sanjiv Goenka group.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	2560.83	3533.31
PBILDT	385.50	645.42
PAT	229.79	388.53
Overall gearing (times)	0.72	0.54
Interest coverage (times)	9.30	17.55

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's Corporate Governance Rating (CGR) is an opinion on the relative standing of an entity with regard to adoption of corporate governance practices. It provides information to stakeholders as to the level of corporate governance practice of an entity. CARE's CGR rating is not a certificate on statutory compliance and is not a recommendation to buy or sell securities issued by the entity.