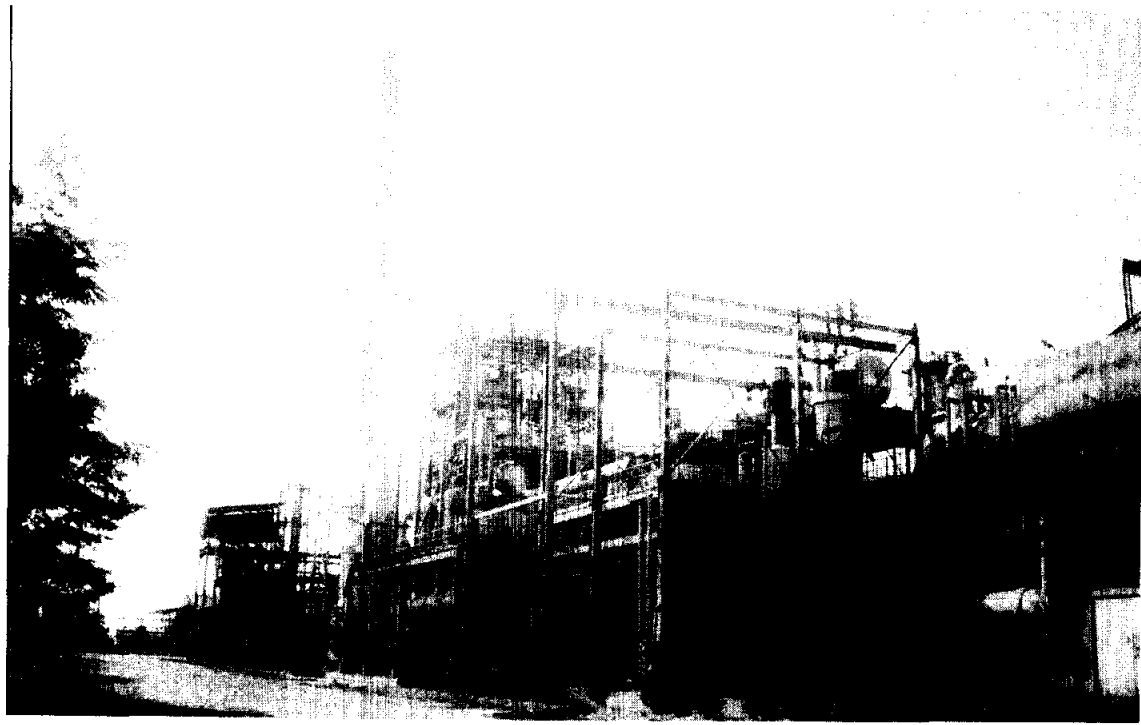


**12TH
ANNUAL REPORT
1999-2000**



I G PETROCHEMICALS LIMITED



A view of Phthalic Anhydride plant at Taloja



I G PETROCHEMICALS LIMITED

BOARD OF DIRECTORS : SHRI M M DHANUKA
 SHRI SHYAM BHARTIA
 SHRI PREMJI SINGH
 SHRI S C BHATIA, Nominee - ICICI
 SHRI NIKUNJ DHANUKA
 SHRI J K SABOO

AUDITORS : M/S HARIHARAN & CO.
 Chartered Accountants
 220/5, First Main Road
 Sampangirama Nagar
 Bangalore-560 027

M/S. D. L. MEHTA & CO.
 Chartered Accountants
 12, Surtee Chambers, 2nd Floor
 2nd Dhobi Talao Lane
 Mumbai - 400 002

SECRETARY : SHRI G K PREM KUMAR

BANKERS : BANK OF BARODA
 BANK OF INDIA
 UNITED BANK OF INDIA
 CANARA BANK
 ALLAHABAD BANK
 UTI BANK LIMITED
 ICICI BANKING CORPORATION LIMITED
 DENA BANK
 STANDARD CHARTERED BANK
 VIJAYA BANK
 STATE BANK OF HYDERABAD

REGISTERED OFFICE : T-2 Shabana Chambers
 Panaji - 403 001, GOA

CORPORATE OFFICE : 401/404, Raheja Centre
 214, Nariman Point
 Mumbai - 400 021

**EXECUTIVE & SHARE
 TRANSFER OFFICE :** D/4, Jyothi Complex
 134/1, Infantry Road
 Bangalore - 560 001

PLANT : T-2, MIDC Industrial Area
 Talaja-410 208, Dist. Raigad
 Maharashtra

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I G PETROCHEMICALS LIMITED**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 12th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday, the 31 March 2001 at 10.30 a.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji, Goa to transact the following business :

1. To consider and adopt the Directors' Report and audited Statement of Accounts of the Company for the year ended 30 September 2000.
2. To appoint a Director in place of Shri M M Dhanuka who retires by rotation and offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

The retiring auditors M/s. Hariharan & Co., Chartered Accountants and M/s. D L Mehta & Co., Chartered Accountants are eligible and have offered themselves for reappointment.

Special Business :

4. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :

"RESOLVED THAT Shri Premjit Singh be and is hereby appointed as a Director of the Company liable to retire by rotation".

5. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of the Articles of Association of the Company and in conformity with the guidelines issued by the Securities and Exchange Board of India (SEBI), The Reserve Bank of India (RBI), if any, and subject to such other permissions or sanctions of any concerned Authority, as may be necessary, consent of the Company is hereby accorded for issue and allotment of Equity Shares of Rs.10/- each to M/s. Plast Petro Project Co. Ltd., London on the terms and conditions as under :

- 1) The 30,00,000 (Thirty lacs) Equity Shares of Rs.10/- each or such other number not exceeding 30,00,000 (Thirty lacs) of shares at par and such other terms and conditions as may be decided by the Board in this respect.
- 2) The new Equity Shares shall rank paripassu in all respects with the existing Equity Shares of the Company except that they shall be entitled to pro-rata dividend, if any, that may be declared by the Company for the year/period commencing from 1 October 2000.
- 3) Application shall be made to the Stock Exchanges at Mumbai, Calcutta and Delhi for listing of these shares.

I G PETROCHEMICALS LIMITED

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to issue, offer and allot the equity shares as above and take such steps and to do all such acts, deeds, matters and things and accept any alterations or modifications as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to the issue and allotment of the said equity shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into, execute Subscription Agreement(s), Letter of Allotment, or any other contracts, arrangements, agreements, documents in connection with the issue of the said equity shares.

Mumbai
14 February 2001

By order of the Board

Registered Office
T-2 Shabana Chambers
Panaji - 403 001, Goa

G K PREM KUMAR
Secretary

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the commencement of the meeting. Form of proxy is enclosed.
2. Explanatory Statement pursuant to the provisions of section 173(2) of the Companies Act, 1956 is annexed.
3. All documents referred to in the Notice and Explanatory Statement will be available for inspection by the members at the registered office of the Company between 10.30 a.m. to 12.30 p.m. on all working days upto the date of Annual General Meeting.
4. Members who are holding Company's shares in dematerialised form are requested to bring details of their Depository Account Number for identification.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday the 28 March to Saturday, the 31 March 2001 (both days inclusive).
6. Any member requiring further information on Accounts at the meeting is requested to send the queries in writing so as to reach at the registered office of the Company atleast 10 days before the meeting.
7. Members are requested to communicate the change of address, if any.
8. Members who have not encashed the Dividend Warrant(s) for the financial year ended 1994-95 and 1995-96 are requested to lodge their claim to the Company.
9. The equity shares of the Company are available for trading in dematerialised form (scripless trading in electronic form) through Depository Participants. The ISIN Code is INE 204A01010.

I G PETROCHEMICALS LIMITED**Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956.****Item No. 4**

Shri Premjit Singh was co-opted on the Board on 28 June 2000 to fill up the casual vacancy caused by the resignation of Shri M M Jayakar. As per the provisions of the Companies Act, 1956, he holds office until this Annual General Meeting.

Notice from a member of the Company under section 257 of the Companies Act, 1956 has been received with a deposit of Rs.500 proposing his candidature. Your Directors recommend the resolution to be passed.

None of the Directors, except Shri Premjit Singh is interested in the resolution.

Item No.5

The Company has approached the Financial Institutions and Consortium of Banks for restructuring of the existing liabilities of the Company. ICICI, the lead institution has prepared the restructuring package which is being considered by all the concerned Institutions and Banks.

As part of the restructuring package the promoters of the Company are required to arrange for Rs.30 million on fresh equity capital at par to the extent of Rs.300 lacs for implementation of the restructuring plan.

On our request, M/s. Plast Petro Project Co., Ltd., London has agreed to subscribe to the equity capital of the Company to the extent of Rs.30 million and as an advance against issue of equity shares at par has received a draft of US \$ 3,00,000.

M/s. Plast Petro Project Co. Ltd., London are presently holding 22,59,194 equity shares (8.590 %) of the Company from the original issue of capital.

The market price of equity shares of the Company as on 14.2.2001 was Rs. 6.70 per share.

In terms of the SEBI guidelines for preferential issue of shares and under section 81(1A) of the Companies Act, 1956, the price of issue of such shares should not be less than the average weekly high and low of the closing prices during the 6 months preceding the relevant date or the average of the weekly high and low of the closing prices during the two weeks preceding the relevant date (1 March 2001) which is Rs. 8.36 per share in case of our equity shares.

Section 81(1A) of the Companies Act, 1956 inter-alia provides that issue of further capital to any persons on preferential basis be made only with the approval of the shareholders in general meeting. Consent of the shareholders is therefore sought to authorise the Board of Directors to issue the said shares as set out in the resolution.

None of the Directors is concerned or interested in this resolution.

Mumbai
14 February 2001

By order of the Board

Registered Office
T-2 Shabana Chambers
Panaji - 403 001, Goa.

G K PREM KUMAR
Secretary

I G PETROCHEMICALS LIMITED**DIRECTORS' REPORT TO THE MEMBERS**

The Directors present their 12th Annual Report together with the Accounts of the Company for the year ended 30 September 2000.

	1999-2000 Current Year (Rs. in lacs)	1998-1999 Previous Year (Rs. in lacs)
1. Financial Results		
Gross Profit/(Loss)	1947.59	(254.79)
Less : Interest and Finance Charges	4674.42	2873.26
Depreciation	9.59	994.51
	<u>(2736.42)</u>	<u>(4122.56)</u>
Provision for wealth tax	0.20	0.25
Net Profit/(Loss) after tax	<u>(2736.62)</u>	<u>(4122.81)</u>
Set off against General Reserve	—	(1404.89)
Set off against Revaluation Reserve	<u>(2736.62)</u>	<u>(2717.92)</u>
	<u>(2736.62)</u>	<u>(4122.81)</u>

In view of the loss the Directors are unable to recommend any dividend for the year ended 30 September 2000. Depreciation has not been provided in the absence of profits except on leasehold land.

2. Operations

During the year under review the production of Phthalic Anhydride increased to 86016 MT (previous year 67130 MT including trial runs). Sales substantially increased to Rs.18602.12 lacs (previous year Rs.7712.15 lacs). Export of Phthalic Anhydride was for Rs.15037.31 lacs (previous year Rs.9401.46 lacs). This was due to increase in volume of production and sales on the commencement of commercial production of PA-2 plant of 50000 tpa capacity from 3 March 2000.

Since the first quarter of the current financial year the Company has been making operational profits (PBID) and the same were Rs.1947.59 lacs during the year as against operational losses of Rs.254.79 lacs during the previous year 1998-99.

The International prices of PA were around US \$ 520 to US \$ 550 per tonne and there was no major variation during the current year. The prices of Orthoxylene have also been moving around US \$ 400 pt.

The Company has contributed Rs.1248.65 lacs to the Central and State Exchequer by way of Excise and Customs Duty and Sales Tax.

The Company's Y2K transition has been smooth without any disruption in its operations.

Due to South East Asian Crisis in 1997-98 there is a general recession in the petrochemical industry. The international prices of PA had touched the lowest and have recently improved. As a result the interest and other costs could not be covered fully. Therefore the Company has approached the financial institutions and banks for financial restructuring of its debt liability.

ICICI the lead institution, LIC and IIBI have approved the restructuring package and it is being considered by other institutions and consortium of banks.

After the restructuring package is finalised the Company will get sufficient benefits of waiver of compound interest and liquidated damages, reduction in interest rates and rescheduling of repayment of loans.

3. ISO 9002 Certification

The Directors are happy to report that the Company has been awarded the ISO 9002 certificate by Bureau Veritas Quality International (Holding) S. A., London.

I G PETROCHEMICALS LIMITED

The Company has always given top priority for the quality of its products which is recognised by the importers worldwide.

4. Outlook for 2000-2001

The Company had requested for additional letters of credit facilities of Rs.4500 lacs from the Consortium of Banks and the said Banks have sanctioned Rs.4120 lacs which was used for purchase of raw materials on continuous basis. Substantial procurement of Orthoxylene is done locally from Reliance Industries Ltd. which helps in maintenance of regular supplies of raw material.

The production for 4 months from October 2000 to January 2001 in the current financial year was 23545 tonnes.

The International prices are ruling around US \$ 500 to US \$ 520 per tonne. The Company also derives the benefit of selling a part of the products indigenously. Due to increased production and sales the average realisation has improved and expects to do better in the current year.

5. Auditors' Report

Observations made in paragraphs 2e (i), (ii), (iii), (iv), (v) and (vi) have been dealt with in note nos. 5, 8, 11, 14 and 16 of the Notes to Accounts. The reference of Auditors in para No.20 of the annexure to the Auditors' Report and on the basis of the legal opinion received, the Company would not be a sick Company falling under the Sick Industrial Companies (Special Provisions) Act, 1985.

6. Directors

Shri S C Bhatia was nominated on the Board of the Company by ICICI Ltd. (ICICI) and the nomination of Shri R Kannan was withdrawn. The Directors place on record their appreciation of the valuable contribution made by Shri R Kannan during his tenure as a Director.

Shri M M Jayakar resigned from the Directorship of the Company and the Board is pleased to place on record its appreciation of his services.

Shri Premjit Singh was co-opted on the Board in the casual vacancy caused by resignation of Shri M M Jayakar. He will retire at the ensuing Annual General Meeting. Notice has been received u/s. 257 of the Companies Act, 1956 for his appointment as a Director.

Shri M M Dhanuka retires by rotation and offers himself for reappointment.

7. Audit Committee

An Audit Committee of the Company has been constituted consisting of three Directors namely Shri M M Dhanuka, Shri Premjit Singh and Shri S C Bhatia in compliance to the provisions of the Companies (Amendment) Act 2000.

None of these Directors is the Managing or Whole Time Director.

8. Statement on Director's Responsibilities

As required u/s 217A (2AA) the Directors confirm that they have -

- (a) followed in the preparation of annual accounts, the applicable accounting standards and given proper explanation in the respective notes to Accounts of the Company.
- (b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- (c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- (d) prepared the annual accounts on a going concern basis.

I G PETROCHEMICALS LIMITED**9. Corporate Governance**

The Stock Exchanges have introduced in the Listing Agreement a new clause No.49 relating to Corporate Governance which is to be implemented by the Company within the financial year 2001-2002. In the meantime it may be noted that the Board of your Company consists of six members, of whom one is the Executive Director and five are non-executive Directors. Five meetings of the Board were held during the financial year ended 30 September 2000. The last Annual General Meeting was held on 27 March 2000. Other mandatory and non-mandatory requirements are in the course of implementation.

10. Particulars of Employees u/s. 217(2A) of the Companies Act, 1956

The statement of particulars of employees as required u/s. 217(2A) of the Companies Act, 1956 forming part of the report is enclosed herewith.

11. Conservation of energy, technology absorption and foreign exchange earnings and outgo.

Particulars with respect to conservation of energy etc. required as per section 217(1)(e) of the Companies Act, 1956 are annexed hereto and form part of the report.

12. Auditors

M/s. Hariharan & Company and M/s. D L Mehta & Company, Chartered Accountants retire and have offered themselves for reappointment.

13. Acknowledgment

The Board expresses their grateful thanks to the Financial Institutions and Banks for their continuous support and co-operation to the Company. The Board records their appreciation of the dedicated services of the employees, workmen and executives of the Company.

For and on behalf of the Board

Mumbai
14 February 2001

M M DHANUKA
Chairman

Annexure to the Directors' Report showing particulars with respect to conservation of energy, technology absorption, and foreign exchange earnings and outgo.

A. Conservation of Energy**a. The following measures have been taken for energy conservation**

1. A major steam saving was made by converting PA transfer lines jacket heating from SL to SLL all along from PA-1 to PA-2 plant and consecutively from PA-2 to flaker house. SLL excess steam is utilised for the same above. The above change led to the prevention of loss of PA in the form of vapours.
2. PA-1 air preheater first coil heating has been changed over from SH to SLL heating by which 1.5 tons of steam is saved directly.
3. An automatic level control system is introduced in the storage tank of Flaker Cooling water system. By doing the above, the running of 2 Nos. 45 KW drives of flaker cooling water return pumps has been reduced by 35%.