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14TH
ANNUAL REPORT
2001-2002



I G PETROCHEMICALS LIMITED

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A view of Phthalic Anhydride plant at Taloja



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IG PETROCHEMICAL LIMITED

BOARD OF DIRECTORS : SHRI M M DHANUKA
SHRI PREMJIT SINGH
SHRI NIKUNJ DHANUKA
SHRI RAJESH R MUNI
SHRI J K SABOO, Executive Director

AUDITORS : M/S HARIHARAN & CO.
Chartered Accountants
220/5, First Main Road
Sampangiram 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 BANK LIMITED
DENA BANK
STANDARD CHARTERED BANK
VIJAYA BANK
STATE BANK OF HYDERABAD

REGISTERED OFFICE : 106/107, "Gurudatta"
M G Road, Panaji - 403 001
Goa

CORPORATE OFFICE : 401/404, Raheja Centre
214, Nariman Point, Mumbai-400 021
Tel. No. 22840714
Fax (91) 22-22040747 / 22836392
e-mail : igpetro@vsnl.com

EXECUTIVE OFFICE : D/4, Jyothi Complex
134/1, Infantry Road
Bangalore - 560 001
Tel. No. 286 8372
Fax 080-286 8778

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

AUDIT COMMITTEE

SHRI PREMJIT SINGH
SHRI M M DHANUKA
SHRI RAJESH R MUNI

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

SHRI PREMJIT SINGH
SHRI M M DHANUKA
SHRI NIKUNJ DHANUKA
SHRI RAJESH R MUNI

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 14th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday, the 22nd March 2003 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 2002.
2. To appoint a Director in place of Shri Premjit Singh 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 Rajesh R Muni be and is hereby appointed as a Director of the Company liable to retire by rotation.

Mumbai
5 February 2003

By order of the Board

Registered Office
106/107, Gurudatta
M G Road, Panaji - 403 001, Goa

G K PREMKUMAR
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. Proxy Form 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 Saturday, the 15th March 2003 to Saturday, the 22nd March 2003 (both days inclusive).
6. Any members 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.

Further, pursuant to Section 205A of the Companies (Amendment) Act, 1956, the amount of dividend

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GOPEER CHEMICAL LIMITED

declared on 9.5.1996 for the financial year ended 30.09.1995 and thereafter, remaining unpaid or unclaimed for a period of seven years shall hereafter be transferred to the Investor Education and Protection Fund of the Central Government. ("the fund") Established under Sub-section (I) of Section 205C.

Shareholders who have not encashed the dividend warrant for the financial year ended 30.09.1995, issued on 09.05.1996, or any subsequent financial years are therefore, requested to immediately forward the same to the Company for revalidation. It may also be noted that, after the unclaimed dividend is transferred to the Fund, as above, no claim shall lie against the Fund or the company in respect of the individual amounts which were unclaimed or unpaid for a period of seven years from the date that, they first became due for payment and no payment shall be made in respect of any such claims.

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.
10. Details of Directors being appointed and re-appointed

The brief particulars of the Directors of the company, being appointed and Directors retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under:

- i. Shri Rajesh R Muni was co-opted to the Board on 30.04.2002 in casual vacancy caused by the resignation of Shri Shyam Bhartia. As per Article 130 of the Company's Articles of Association, he holds office until the ensuing Annual General Meeting. A Notice is received from a shareholder u/s.257 of the Companies Act, 1956 for his appointment.

Shri Rajesh R Muni, (51), is a leading practicing Chartered Accountant in Mumbai. He brings in 25 years of rich experience in financial management.

- ii. Shri Premjit Singh retires by rotation at the ensuing Annual General Meeting. As per Article 149 of the Articles of Association of the Company and being eligible offers himself for re-appointment.

Shri Premjit Singh, (71), is an eminent banker and former Chairman of Bank of Baroda. A postgraduate in Economics, he has done his Law as well. He is a Certified Associate of Indian Institute of Bankers. In his 42 years of stint in Banking sector, he has been with Reserve Bank of India, Industrial Development Bank of India, Union Bank of India, Central Bank of India and finally retired from Bank of Baroda as it's Chairman.

Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956

Shri Rajesh R Muni was co-opted on the Board on 30.04.2002 to fill the casual vacancy caused by the resignation of Shri Shyam Bhartia. As per the provisions of the Companies Act, 1956 he holds office until this Annual General Meeting. A notice is received from a shareholder u/s 257 of the Companies Act, 1956 for his reappointment.

None of the Directors of the Company is interested in this resolution.

By order of the Board

Mumbai
5 February 2003

G K PREMKUMAR
Secretary

Registered Office
106/107, Gurudatta
M G Road, Panaji, Goa - 403 001

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DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the 14th Annual Report together with the Audited Accounts of the Company for the financial year ended 30 September 2002.

	2001-2002 Current Year (Rs. in Lacs)	2000-2001 Previous Year (Rs. in Lacs)
1. Financial Results		
Gross Profit	2354.18	238.61
Less : Interest and Finance Charges		
For the year	6644.37	6682.99
For earlier year	—	766.27
Depreciation		
For the year	2760.88	2467.52
For earlier year	—	1792.65
Loss before Tax	7051.07	11470.82
Provision for wealth Tax	0.15	0.10
Loss after Tax	7051.22	11470.92
Set off against Revaluation Reserve	—	2018.45
Loss carried to Balance Sheet	16503.69	9452.47
	<u>16503.69</u>	<u>11470.92</u>

2. Dividend

In the absence of profit, your Directors are unable to recommend any dividend for the year ended 30 September 2002.

3. Performance Review

The net sales of the company during the financial year was higher at Rs.24479.27 Lacs as compared to Rs.21194.79 Lacs during the previous year. The gross profit before interest, depreciation & tax stood at Rs.2354.18 Lacs compared to the previous year at Rs.238.61Lacs. The results were achieved by the improvement in conversion margins, increased volumes, better operating efficiencies and efforts towards all round cost reduction. After providing for interest, depreciation and tax, the Net Loss during the year was Rs. 7051.22 Lacs compared to previous year net loss at Rs. 11470.92 Lacs.

During the year the company achieved a capacity utilisation of 81.2%, with a production of 89303MT compared to the previous year capacity utilisation of 73.37% and a production of 80704MT.

4. Restructuring of Company's debts and liabilities

As the earlier restructuring package approved by Financial Institutions is not viable the consortium of lenders have appointed KPMG during the month of June 2002 to prepare business plan and suitable restructuring options. Accordingly KPMG has submitted their report during December 2002 to the lenders, which is under their consideration. Since the earlier restructuring approval of Financial Institutions has not come through, the share application money received by the company was refunded based on their demand.

5. Future Outlook

We expect that, the market will continue to be stable in the coming year as well. We also feel that, the price will appreciate further if the fear of war on Iraq becomes reality. In the given circumstances the management is of the view that, the performance of the company will be better in the coming years but the turnaround of the company will largely depend on the restructuring exercise undertaken by the lenders through KPMG.

6. Taxes and Duties

The Company has contributed Rs.1091.88 Lacs to the Central and State Exchequer by way of Excise duty, Customs duty and Sales tax.

7. ISO 9001(2000) Certification

Your Directors are happy to report that, the certification has been upgraded to ISO 9001:2000 from ISO 9002 with effect from July 2002 by Bureau Veritas Quality International (Holding) S A London recognising further improvement in the quality of the management.

8. BIFR Registration

A reference was made under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) to the Board for Industrial and Financial Reconstruction (BIFR) and registered as No. 424 / 2001 dated 28.11.2001. The matter is under progress.

9. Auditors' Report

Observations made in paragraphs 4e(1), (ii), (iii), (iv) and (v) have been dealt with in note nos.5, 9(b)&11,9(c), 17, and 14 of the Notes to Accounts. Regarding observation of auditors in para 9 of the Annexure to Auditors' Report in respect of loans and advances, this is to be stated that, continuous efforts are being made to recover the outstanding loans and advances with interest. In para 20 of the annexure to the Auditors' report, the auditors have stated that, the accumulated losses of the company as on 30.09.2002 has exceeded its entire net worth, and hence the company has become a sick industrial company within the meaning of clause (O) of sub section 1 of section 3 of the sick industrial companies (Special Provisions) Act, 1985. The Company has already been registered with the BIFR under section 15 of the ACT.

10. Directors

Shri Premjit Singh, Director retires by rotation and being eligible has offered himself for reappointment.

Shri Rajesh R Muni was co-opted on the Board to fill the casual vacancy caused by the resignation of Shri Shyam Bhartia. His term of office expires at the ensuing Annual General Meeting. A requisition has been received from a shareholder u/s 257 of the Companies Act, 1956 for his appointment.

11. Directors' Responsibility statement

As required u/s 217(2AA) the Directors of the company 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.

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

The Company has no employee whose salary exceeds the limits prescribed u/s 217(2A) of the Companies Act, 1956. Hence information required under the said section read with the Companies (Particulars of Employees) Rules, 1975 as amended has not been provided in this report.

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

As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 information on conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the annexure forming part of this report.

14. Auditors

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

15. Corporate Governance Report

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate report on Corporate Governance along with a certificate from the Company's Statutory Auditors confirming the compliance of the conditions of Corporate Governance and Management Discussion and Analysis is attached to this report.

16. Acknowledgements

Your directors express their grateful thanks to the Financial Institutions and Banks for their continuous support and co-operation to the company. Your directors wish to place on record their sincere appreciation for the services rendered by the employees at all levels.

For and on behalf of the Board

Mumbai
5 February, 2003

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. Excess steam generated out of process is de-superheated with in-house developed technology by condensing 10 MT of steam per hour. That has resulted in saving of 10 m³ of De-min water generation per hour, in turn resulted in saving of energy.
2. Condensate recovery system which was also developed in-house to collect the condensate from TG-1 and TG-2 which resulted in recovery of 20 m³ of De-min water generation per day, in turn resulted in saving of energy.
3. Innovative and proven method of regenerating existing old heat transfer salt system in one of the reactors resulted in increase in efficiency of heat generation and better energy conservation.
4. Upgrading insulation of major critical equipment with calcium silicate insulation has given way for reduction in heat losses and better conservation of energy.
5. By optimizing the MSEB transformer conditions 180 kwh per day has been obtained, resulting in conservation of electrical power.
6. By adjusting lighting voltage, 50 kwh per day consumption of electrical energy has been reduced.
7. By adding H.T. Capacitor in TG-1 generator, better conservation of electrical energy has been obtained.
8. All the rotating equipment including drives vibration monitoring is being carried out every day and carrying out preventive maintenance jobs strictly, substantial energy saving is achieved by avoiding operation of rotating equipment's at poor condition of bearings.
9. Steam leakages are being arrested as and when required and thermo dynamic steam traps preventive maintenance is being carried out on regular basis to ensure the conservation of energy effectively.

b. Additional Investment and proposals, if any, being implemented for reduction in consumption of energy

Energy audit is being contemplated to assess the possible other sources for improving energy efficiency.

c. Impact of the measures taken at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production

Total power and steam requirement except during start up periods are met without any external sources of energy i.e. in terms of MSEB power or firing of fuel in boilers.

d. Power & Fuel Consumption

	2001-2002	2000-2001
1. Electricity		
a. Purchased (Units)	3,04,892	5,50,434
Total Amount (Rs.)	34,44,502	33,03,846
Rate/Unit (Rs.)	11.30	6.00

b. Own Generation

i Through Diesel Generator	79,200	3,77,440
Units per Ltr. of Diesel oil	1.63	4.10
Cost/Units (Rs.)	11.87	4.55
ii Through Steam Turbine		
Generator (Units)	2,38,35,110	2,43,96,614
Units per liter of Fuel/Oil/Gas	—	—
Cost/Units (Rs.)	—	—
2. Coal is not used in Manufacturing Process	—	—
3. Furnace Oil quantity (KL)	4,139	4,477
Total Amount (Rs.)	3,52,64,549	3,63,20,022
Average rate/KL (Rs.)	8,520	8,113
4. Other / Internal generation	—	—

B) Consumption per Unit (MT) of product

Phthalic Anhydride	Standard		
Electricity – Units	Not Specified	271	314
Furnace Oil – Liters	Not Specified	46	55
Coal		—	—

C) Technology Absorption Reserch & Development (R&D)

(i) Specific area in which R & D carried out by the Company :

The company is conducting its R & D activities for updating the technology as per the suggestions received from the Foreign Collaborators for improving the efficiency, which is being implemented in the expansion programme. Various methods are being tried to update the technology for recovery of useful chemicals from low boiling component discharged during the distillation process of Molten Crude Phthalic Anhydride. Experiments are also being conducted for regeneration of salt mixture.

Benefits in terms of better quality and increased productivity are expected to accrue in due course.

(ii) Future plan of action :

All the efforts are being continued in the direction of product/process development as mentioned above.

(iii) Expenditure incurred on R & D :

The Company has incurred expenditure to an extent of Rs. 13.26 Lacs.

(iv) Total R & D expences as a % of turnover : 0.05%

D) Foreign Exchange Earnings & Outgo	2001-2002	2000-2001
	(Rs. in lacs)	
Total Foreign Exchange Earnings	16475.39	11991.22
Total Foreign Exchange Outgo	5861.51	5486.34