

**17TH  
ANNUAL REPORT  
2005-2006**



**I G PETROCHEMICALS LIMITED**



A view of Phthalic Anhydride plant at Taloja



**I G PETROCHEMICALS LIMITED****BOARD OF DIRECTORS**

SHRI M M DHANUKA, Chairman

SHRI NIKUNJ DHANUKA, Managing Director

SHRI PREMJI SINGH

SHRI RAJESH R MUNI

SHRI J K SABOO, Executive Director

SHRI TARUN GANDHI, Nominee - Spinnaker Group

**COMPANY SECRETARY**

SHRI G K PREM KUMAR

**AUDITORS**

M/S HARIHARAN &amp; CO.

Chartered Accountants

No. 133, 26<sup>th</sup> Cross, 6<sup>th</sup> Block,

Jaya Nagar,

Bangalore - 560 082.

**INTERNAL AUDITORS**

M/S AJMERA AJMERA &amp; ASSOCIATES

Chartered Accountants

Sonal Link Industrial Estate

2/334(Service), 3<sup>rd</sup> Floor,

Link Road, Malad (West),

Mumbai 400 064

**REGISTERED OFFICE**

106/107, "Gurudatta"

M G Road

Panaji 403 001

Goa.

Tel.No. : 0832 - 2426364/65

Fax : 0832 - 2235511

**CORPORATE OFFICE**

401/404, Raheja Centre,

214, Nariman Point,

Mumbai - 400 021

Tel. No. : 022 - 30286100

Fax : 022 - 22040747 / 22836392

E-mail : [igpetro@vsnl.com](mailto:igpetro@vsnl.com)**BANKERS**

ICICI Bank Limited

Vijaya Bank

**EXECUTIVE OFFICE**

D/4, Jyothi Complex,

134/1, Infantry Road,

Bangalore - 560 001.

Tel No. : 080 - 22868372

Fax : 080 - 22868778

**PLANT**

T-2, MIDC Industrial Area,

Taloja - 410208,

Dist. Raigad, Maharashtra.

Tel. : 022 - 39289100 / 39289146

Fax : 022 - 27410192

**REGISTRAR & TRANSFER AGENT**

M/S BIGSHARE SERVICES PVT. LTD.,

E-2/3 Ansa Industrial Estate

Sakivihar Road, Sakinaka

Andheri (E),

Mumbai 400 072.

Tel.No. : 022 - 28473474/28473747

Fax : 022 - 28475207

E-mail : [bigshare@bom7.vsnl.net.in](mailto:bigshare@bom7.vsnl.net.in)**CONTENTS**

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

NOTICE is hereby given that the 17<sup>th</sup> Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Wednesday, the 31<sup>st</sup> May 2006 at 10.00 a.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji – 403 001, Goa to transact the following business :

1. To consider and adopt the Directors' report and audited accounts of the Company for the year ended 31 March 2006.
2. To appoint a Director in place of Shri Rajesh R Muni who retires by rotation and offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as an ordinary resolution.

“RESOLVED THAT, pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s Hariharan & Co., Chartered accountants, Bangalore, the retiring auditors be and are hereby reappointed auditors of the company to hold office from conclusion of this meeting until the conclusion of the next Annual general meeting of the company at a remuneration to be fixed by the Board of directors.”

**Special Business**

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

RESOLVED THAT, subject to the provisions of Sections 198, 269, 309 and 310 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent and approval of the company be and is hereby accorded to the appointment of Shri. Nikunj Dhanuka as Managing Director of the company for a period of 5 years with effect from 27.04.2006 on such salary and perquisites as are set out in the explanatory statement annexed hereto with such modification as may be agreed to by the Board of Directors of the company and Shri. Nikunj Dhanuka and that where in any financial year the company has no profits or the profits are inadequate the company may pay to Shri. Nikunj Dhanuka, the said remuneration by way of salary, perquisites and other allowances as minimum remuneration subject to the limits specified in part II of the schedule XIII of the Companies Act, 1956. Resolved further that, he

shall not be liable for retirement as a rotational director”

Mumbai  
27 April 2006

By order of the Board

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

G K PREM KUMAR  
Company 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 25 May to 31 May 2006 (both days inclusive)
6. Members requiring further information on accounts at the meeting are requested to send the queries in writing so as to reach at the corporate office of the company at Nariman Point, Mumbai atleast 10 days before the meeting.
7. Members holding shares in physical form are requested to notify any change in their address to the Company's Registrar and Transfer Agent, M/s Bigshare Services Pvt. Ltd., E 2/3, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai 400 072. Members holding shares in electronic form may intimate any such change to their respective Depository Participants (DPs).
8. Members are informed that, pursuant to Section 205A of the Companies (Amendment) Act, 1956, all unclaimed dividends have been transferred to the Investor Education and Protection Fund of the Central Government. ("the fund") established under Sub-section (1) of Section 205C. No dividends have been declared there after.

## I G PETROCHEMICALS LIMITED

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 re-appointed. The brief particulars of the Directors of the company to be reappointed at the ensuing Annual General Meeting are as under:

Shri. Rajesh R Muni retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment as per Article 150 of the Articles of Association of the Company. As per the declaration submitted by him to the Board, he has not been disqualified under section 274(1) (g) of the Companies Act 1956 for reappointment. Shri. Rajesh R Muni is a practicing chartered accountant in Mumbai. He has put in 28 years of experience in this line. Further, he does not hold any shares in the company.

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

#### Item No.4

Shri. Nikunj Dhanuka was first appointed to the Board as director liable to retire by rotation by the shareholders in their meeting held on 27 March 2000. It is proposed to appoint Shri. Nikunj Dhanuka as Managing Director of the company for a period of 5 years as per the provisions contained in Sections 198,269,309,310 read with schedule XIII of the Companies Act, 1956. Further, as per the said provisions, the appointment is subject to approval from the central government. Further, he shall not be liable for retirement as rotational director.

Shri. Nikunj Dhanuka, (38), a B.com graduate has vast experience in various fields of chemical industry, finance, banking and all other functions required for a successful industrialist.

The Board recommends approval of his appointment as Managing Director in compliance of the said provisions.

The remuneration payable to him and the terms of his appointment, as approved by the Remuneration committee of Board of Directors are as follows:

- I **Salary:** Rs.1,25,000 per month  
**Personal pay:** Equivalent to two months salary per year
- II **Perquisites:** Perquisites shall be in addition to the salary and are classified in 3 categories:  
**Category A**  
(a) **Housing**  
The expenditure by the company for hiring the

furnished accommodation shall not exceed Rs.50000/- (Rs.Fifty thousand ) per month.

In case the accommodation is owned by the Company 10% of his salary shall be deducted by the company and

In case no accommodation is provided by the Company or the hire charges paid for accommodation provided by the company is less than the amount given in (a) above, he shall be entitled to the remaining amount of house rent allowance.

#### (b) Medical reimbursement

Expenses incurred by him and his family subject to a ceiling of one month's salary in a year or 3 months salary over a period of three years.

#### (c) Leave travel concession

For self and family once in a year in accordance with the rules of the Company.

#### (d) Leave

Earned leave with full pay and allowance as per the rules of the Company but not exceeding one month's leave for every 11 months of service. Encashment of leave at the end of the tenure as per the rules of the company will be allowed.

#### (e) Club fees

Subject to a maximum of two clubs. No life membership fee will be paid by the company.

#### Category – B

Contribution to provident fund, superannuation fund or annuity fund as per the rules of the company. Gratuity payable shall not exceed half month's salary for each completed year of service.

#### Category – C

Provision for use of car and telephone on the company's business as per the rules of the company.

The resolution is recommended for approval of the members.

None of the directors except Shri. Nikunj Dhanuka is interested in the resolution.

The details given above may be treated as abstract pursuant to section 302 of the Companies Act, 1956.

Mumbai  
27 April 2006

By order of the Board

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

G K PREM KUMAR  
Company Secretary



**I G PETROCHEMICALS LIMITED****DIRECTORS' REPORT**

To

The Members

Your Directors have pleasure in presenting the 17<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31 March 2006.

**Financial Results**

	<b>2005-06</b> <b>(12 months)</b>	<b>2003-05</b> <b>(18 months)</b>
	Rs. In Lakhs	
Gross Profit	<b>512.59</b>	2969.26
Less Interest and Finance charges	<b>462.32</b>	8020.55
Depreciation	<b>2145.16</b>	4206.08
Profit/(Loss) before Extra ordinary item	<b>(2094.89)</b>	(9257.37)
Extra Ordinary item	<b>39756.73</b>	6041.78
Profit/(Loss) before Tax	<b>37661.84</b>	(3215.59)
Provision for wealth tax	<b>0.30</b>	0.59
Provision for Fringe Benefit Tax	<b>18.00</b>	—
Profit/(Loss) after Tax	<b>37643.54</b>	(3216.18)
Transfer to Revaluation Reserve	<b>(6439.60)</b>	—
Balance brought forward	<b>(25178.64)</b>	(21962.46)
Profit/(Loss) carried to Balance Sheet	<b>6025.30</b>	(25178.64)

Due to inadequate profits, your directors are unable to recommend any dividend for the year ended 31 March 2006.

**Performance Review**

During the period under review the production was 87901 MT compared to previous period (18 months) production of 141536MT. The production was affected during the year due to the change of catalyst in the month of May and the shut down of the plant due to worst ever flood situation under torrential rains in the Raigad District of Maharashtra during the month of

July. The total sales turnover was Rs.37384.78 Lacs compared to previous period (18 months) Rs. 55704.83 Lacs. The Gross Profit before interest, depreciation and tax stood at Rs 512.59 compared to previous period (18 months) Rs.2969.26. The profit after tax stood at Rs.37643.54 Lacs compared to previous period (18 months) Net Loss at Rs. 3216.18. The change is due to an Extra Ordinary Item amounting to Rs.39756.73 Lacs mainly due to relief on account of final settlement with all Banks and Financial Institutions.

During the year the company has issued Debentures to M/s Spinnaker Global opportunity Fund, M/s Spinnaker Global Emerging Markets Fund and M/s Spinnaker Global Strategic Fund aggregating to Rs.125 crores. The company has settled the dues of all Banks and Financial Institutions during the same year.

**BIFR De-Registration**

The company has been declared sick by BIFR vide their letter dated 05.01.2006. Your directors are happy to inform you that, by issue of debentures as mentioned earlier, the company settled the debts and liabilities of all Banks and Financial Institutions. Consequent to the same, the company could get the relief's which has been set off against the debit balance in the profit and loss account. Therefore the net worth of the Company became positive. The company is filing an application with BIFR for de-registration of the company's reference as the accounts are already approved by the Board for placing before the AGM.

**Future Outlook**

There has not been much change in the annual growth of PAN industry which is around 3% to 5% over a period now. It's foreseen that, socio economic development, especially in Asian countries with a thrust to the infrastructure development and other allied activities will bring in additional growth to the performance of the company.

**I G PETROCHEMICALS LIMITED****Taxes and Duties**

The company has contributed Rs.2496 Lacs to the central and state exchequer by way of Excise, Customs duty and Sales tax.

**ISO 9001 : (2000) Certification**

Your company continued to be certified under ISO 9001 : (2000) by Veritas Quality international (Holding) S A London till 13 March 2007 for quality management systems as per their special standards.

**De-Listing of shares**

The company's shares have been de-listed from Delhi Stock Exchange w.e.f. 20.03.2006 under SEBI (Voluntary Delisting of Shares) Guidelines 2003

Further the Calcutta Stock Exchange has informed the company that, the Listing and De-Listing Sub-committee of the Exchange in their meeting dated 13.04.2006, has agreed in principle to grant the delistment of the shares of the company subject to the approval of the committee of the Exchange.

**Auditor's Report**

Observations made in paragraph 4e & f have been dealt with in Note No.9(b) and 16 of schedule xiii

**Directors**

Shri. Rajesh R Muni, Director retires by rotation and being eligible has offered himself for reappointment.

Shri.M M Dhanuka, senior most director and promoter of the company was appointed as Chairman of the Board.

Shri.Nikunj Dhanuka, Director, is the son of Founder Chairman of the Company Shri.S S Dhanuka and is holding the position since 1998. The Board of Directors have appointed him as Managing director of the Company w.e.f 27 April 2006 on a remuneration subject to the approval of share holders and the central government in compliance of applicable provisions of the companies Act 1956.

Shri.Tarun Gandhi, has been appointed to the Board as a Nominee Director, representing M/s Spinnaker Group.

**Directors' responsibility statement**

As required under Section 217(2AA) of the Companies Act, 1956 the Directors of the company state 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 responsible and prudent so as to give a true and fair view of the state of affairs of the company at the end of 12 months period and of the profit and 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.

**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.

**Conservation of energy, technology absorption and foreign exchange earnings and outgo**

As required under Section 217(1) 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.

**Auditors**

M/s Hariharan & Co., Bangalore and M/s D L Mehta & Co, Mumbai were re-appointed as statutory auditors

## I G PETROCHEMICALS LIMITED

of the company in the last AGM. During the year M/s D L Mehta & Co., submitted their resignation from continuance as auditor of the company vide their letter dated 01.12.2005. The Directors place on record their appreciation of the valuable contribution made by M/s D L Mehta & Co. during their tenure as statutory auditors of the company.

As per the provisions under the Companies Act, 1956 M/s Hariharan & Co., will continue as the statutory auditor of the company singly until conclusion of the ensuing Annual General Meeting. M/s Hariharan & Co., chartered accountants, auditors of the company retire and are eligible for reappointment. Your directors commend their appointment for the ensuing year.

### Corporate Governance Report

As per Clause 49 of the Listing Agreement with the Stock Exchanges, 'a separate report on Corporate Governance and Management Discussion and

Analysis together with the certificate from the Company's Statutory Auditors confirming the compliance of the condition of Corporate Governance is attached to this report.

### Acknowledgement

Your directors express their grateful thanks to the Financial institutions and Banks for their continuous support and cooperation 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  
27 April 2006

**M M Dhanuka**  
Chairman,

### Annexure to 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 conservation of energy
  1. In order to increase the overall efficiency of energy utilization, additional LT capacitors bank of 50 KVAR were installed at IGPL 22 KV incoming switch yard, thus the power factor is greater than 0.96.
  2. In order to maintain consistent bulk density of PA flakes with minimum power content, variable speed controlling drives have been introduced to all the 5 flakers resulting in saving energy effectively.
  3. Energy conservation steps are strictly implemented by arresting steam leakages and by time to time planned maintenance of steam traps, thus ensured plugging of steam losses.
  4. Predictive/Preventive maintenance jobs are carried out by which energy saving is satisfactory resulting in power consumption to be rated requirement only.
  5. Condition monitoring such as vibration analysis is carried out for all the rotating equipment. To avoid any break downs and consequential energy losses.
  6. Energy audit is being contemplated to assess all the possible sources for improving energy efficiency. Further any additional proposal and investments, if any, in this direction are being implemented for reduction in conservation of energy.
- 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 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.



**I G PETROCHEMICALS LIMITED**

	For Twelve months ended 31.03.2006	For Eighteen months ended 31.03.2005
d) Power & Fuel consumption		
1. Electricity		
a. Purchased (Units)	503,184	320,915
Total Amount (Rs.)	3,941,454	3,240,871
Rate/Unit (Rs.)	7.83	10.10
b. Own Generation		
i Through Diesel Generator	402,160	242,320
Units per Ltr. Of Diesel oil	2.58	1.96
Cost/Units (Rs.)	13.09	13.50
ii Through Steam Turbine	20,666,430	37,206,390
Generator (Units)	—	—
Units per liter of Fuel/Oil/GAS	—	—
2. Coal is not used in Manufacturing Process	—	—
3. Furnace Oil quantity (KL)	4,867	6,373
Total Amount (Rs.)	59,964,869	58,451,304
Average rate/KL (Rs.)	12,321	9,171
4. Other / Internal generation	—	—

**B) Consumption per Unit (MT) of product**

Phthalic Anhydride	Standard		
Electricity – Units	Not Specified	245	258
Furnace Oil – Liters	Not Specified	55	44

**C) Technology Absorption, Research & Development (R&D)**

- Specific area in which R & D carried out by the Company :The company is conducting its R & D activities for developing the process of Phthalic Anhydride downstream value added products.
- Benefits derived as a result of above R & D : Benefits in terms of better quality and increased productivity.
- Future plan of action : All the efforts are being continued in the direction of product/process development as mentioned above
- Expenditure incurred on R & D : The Company has incurred expenditure to an extent of Rs.13.57 Lacs
- Total R & D expenses as a % of turnover : 0.04%

	For Twelve months ended 31.03.2006	For Eighteen months ended 31.03.2005
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(Rs. In Lacs)

**D) Foreign Exchange Earnings & Outgo**

Total Foreign Exchange Earnings	22,066.85	31,628.80
Total Foreign Exchange Outgo	6952.78	12,956.34

## Corporate Governance Report

IGPL endeavors to add value to its shareholders, lenders, customers and own employees. Code of corporate governance is emboldened with strategic management vision, accountability, transparency, responsibility and fairness in its all round operations. Composition of the Board of IGPL is a mix of Non-Executive, Executive and Independent directors with profound exposures in the related sectors for providing strategic guidance to the company. The independent directors do not have any material pecuniary relationship or transactions with the company.

### Composition

The attendance at the Board meetings during the financial year and the last Annual General Meeting were as under:

Name of Directors	Category	No. of Board meetings attended	Last AGM attendance
Shri. M M Dhanuka	Non-Executive	6	No
Shri. Premjit Singh	Independent	6	Yes
Shri. Nikunj Dhanuka	Non-Executive	3	No
Shri. Rajesh R Muni	Independent	6	No
Shri J K Saboo	Executive Director	5	No

### Meetings of the board

The Board had 6 sittings during the year on 22.04.2005, 13.07.2005, 26.08.2005, 29.10.2005, 31.01.2006. During the year there were no change in sitting fees amounting to Rs.2000/- per meeting total aggregating to Rs. 0.42 lacs.

No Director of the company is a member in more than 10 committees or Chairman of more than 5 committees across all companies in which he is a director.

**The details of the other directorships and chairmanship held by the directors of the company are given below:**

Name of the Director	No. of Directorship excluding directorship in private companies / firms & Cos. incorporated u/s 25 of the Companies Act	Chairman of the Board	No. of other Board Committees in which he / she is a member or chairperson
Shri. M M Dhanuka	3	1	1
Shri. Premjit Singh	2	—	2
Shri. Nikunj Dhanuka	—	—	—
Shri. Rajesh R Muni	—	—	—
Shri. J K Saboo	—	—	—