I G PETROCHEMICALS LIMITED

27th

ANNUAL
REPORT
2015-16

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Financial Highlights, 2015-16

(₹ in Cr, except EPS)

PARTICULARS	2011-12	2012-13	2013-14	2014-15	2015-16
Total Revenue (Net)	889.97	975.62	1,213.98	1,193.32	956.41
Gross Profit/EBIDTA	46.15	61.97	70.16	86.93	116.92
Finance Cost	14.65	16.67	30.36	38.17	22.67
Depreciation & Amortisation	14.90	13.75	18.03	16.39	17.54
Profit before Extraordinary Item & Tax	16.60	31.55	3.91**	32.37	76.71
Profit Before Tax @	16.60	3.89	3.91	11.26	76.71
Tax Expense	3.31	0.81	0.78	2.36	16.35
Profit After Tax	13.29	3.08	3.13	8.90	60.36
Equity Share Capital	30.79	30.79	30.79	30.79	30.79
Net Worth	228.58	231.66	234.78	238.81	291.76
Earnings Per Share (EPS) of ₹ 10/- each					
Before Extraordinary Item	4.32	9.98	1.02	9.74	19.60
After Extraordinary Item	4.32	1.00	1.02	2.89	19.60

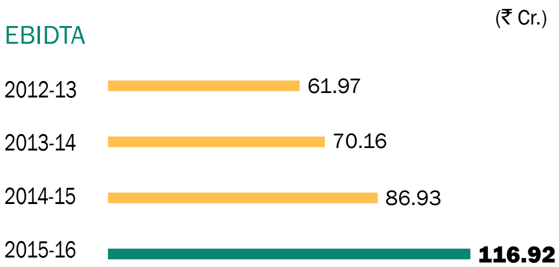
@ Profit before tax for 2014-15 & 2012-13 is after provision of arrears of depreciation of ₹ 21.11 crores & ₹ 27.66 crores respectively

** Profit before extraordinary item & tax is after adjustment of exchange loss (Net) of ₹ 17.86 crores

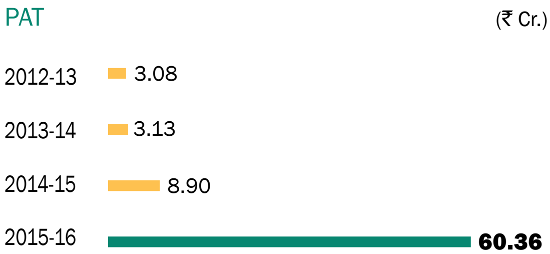
THE STORY IN OUR NUMBERS

Revenue

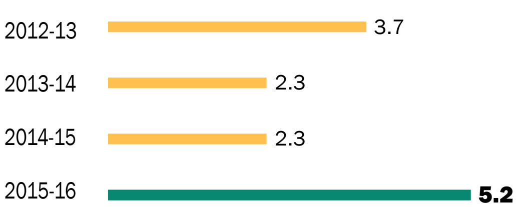
EBIDTA



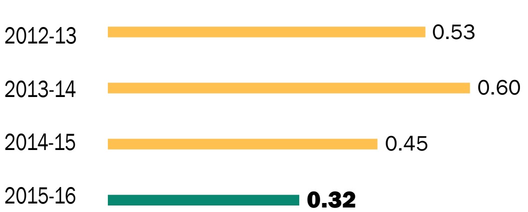
PAT



Interest coverage ratio



Debt:equity



Revenue growth
-19.85%
Over 2014-15

EBIDTA
34.51%
Over 2014-15

PAT growth
578.20%
Over 2014-15

Growth in interest cover
[2.26] times
Over 2014-15

Decline in debt:equity
13 basis points
Over 2014-15

CHAIRMAN'S REVIEW

"I am happy to state that with immense focus and years of planning, we have managed to strengthen the fundamentals of the Company."

Dear Fellow Shareholders,

It gives me immense pleasure to present to you the 2015-16 annual report of the Company. The fiscal year 2015-16 witnessed the country's economy getting stronger as improved focus on fiscal targets and rolling out of favourable policies led to the economy growing strongly by 7.6% during a time when most of the world's major and developing nations are struggling. The interest rates have fallen, inflation is under 5%, fiscal deficit reduced to a low of 3.99% and foreign exchange reserves strengthened to an all-time high of USD 355.60 bn as on 31st March, 2016. The various initiatives ('Digital India', 'Make in India' and 'Start-up India' among others) undertaken by the government to simplify ease of doing business in India is likely to contribute to the economic growth momentum and boost the manufacturing sector.

In the past, despite big investments, Indian economy was more about work-in-progress considering the fact that most of the infrastructure and industrial expansion projects were stuck at some levels. This led to a vicious cycle creating troubles for all the sectors of the economy. However, things have started to change as projects are getting clearances, road and rail expansion projects are on fast track, agriculture sector is getting the required importance and more importantly FDI policies have been eased out for various sectors which shall lead to foreign players entering the markets and sharing their technical expertise. This positive move shall provide the much-needed kick to the industrial concerns in India and contribute to the economic growth.

The past two years were a difficult one for the petrochemicals industry as weakening oil prices led to buyers being reluctant to procure goods expecting a further decline in oil prices. This led to inventory pile-ups and pressure on margins. However, after the oil price falling to a relatively low level, the scenario is expected to stabilise with no major shocks for the industry players. The stabilising crude prices would result in better margin realisations for the Company.

Moreover, with the increased government focus on rural water management and infrastructure projects along with the reviving construction and automobile sector, the demand for plasticisers, paints and unsaturated polyester resins are expected to rise. Your Company, being a proactive one, anticipated this upcoming demand trend and embarked on various capacity expansion and operational efficiency enhancement programme that are completed and have stabilised operations. With this, your Company is well-poised to make most of the opportunities and grow.

I am happy to state that with immense focus and years of planning, we have managed to strengthen the fundamentals of the Company. In spite of undertaking large-scale expansion project and investing in environment protection and process improvement technologies, we have emerged to be a relatively low debt Company with a debt:equity of 0.32 as on March 31, 2016. This has resulted in improvement of our credit ratings by India Ratings & Research from 'IND BBB+' to 'IND A-' for long- term borrowings and 'IND A2+' to 'IND A1' for short-term borrowings. We are proud of the fact that not only are we the largest Phthalic Anhydride producer in India, but we are also amongst the most environment-friendly companies in India across all sectors. We have strengthened the recovery process at our plants thereby utilising 100% steam generated from processes for producing power that meets the entire energy requirements of our plants and reduces oil consumption. We have also installed effluent management system that utilises wastes generated from operations for developing value-added products having commercial value.

As a responsible Company, we shall continue to focus on investing in environment-friendly processes and utilising a part of profits towards our community development initiatives. In 2015-16, we spent a sum of ₹ 26.87 lacs (2% of our net profits) towards education, healthcare and community services.

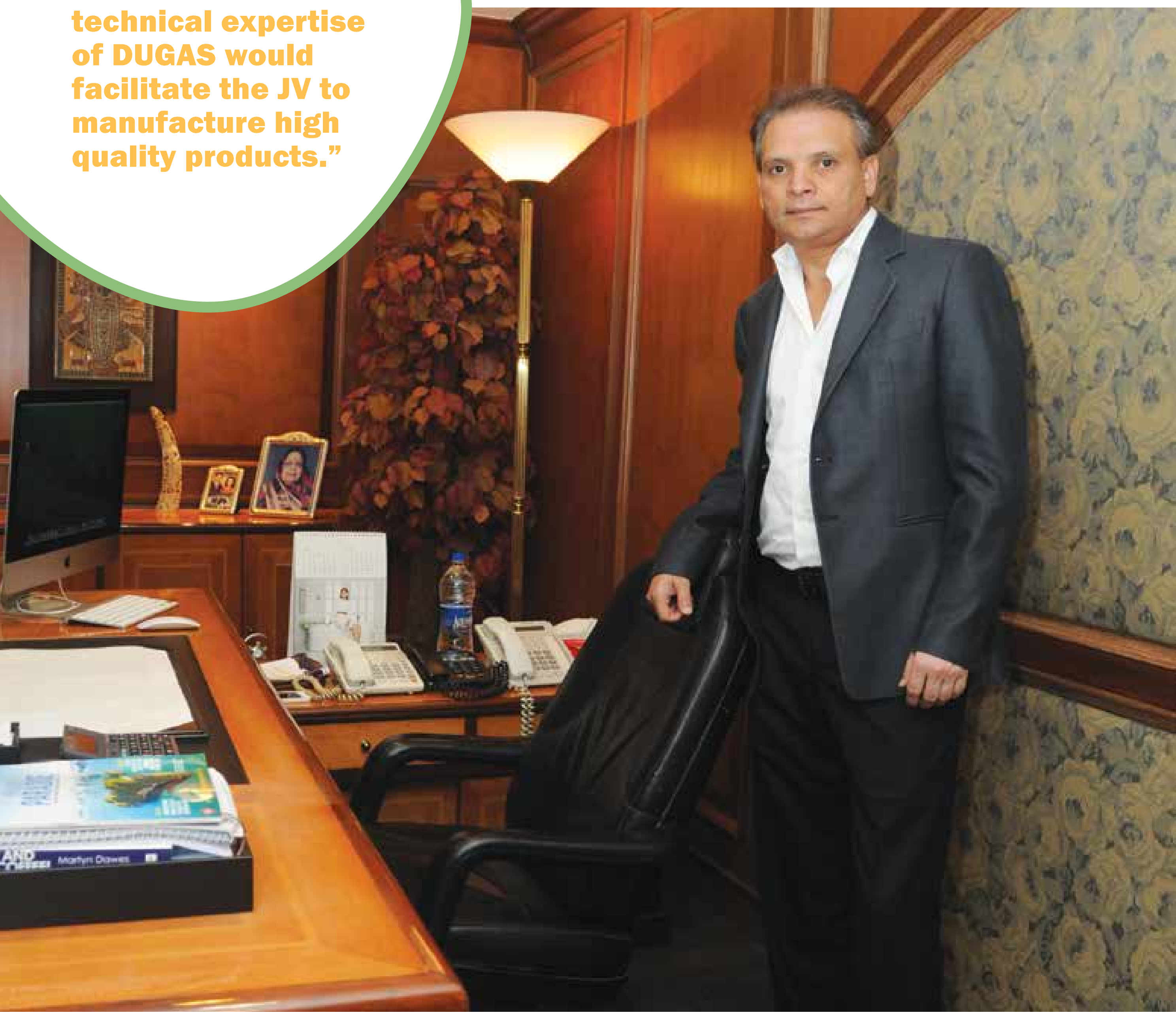
I would like to thank all the shareholders who have been with us through good and bad times. I would like to assure you that the Company is sweetly positioned in the industry to make the most of the upcoming opportunities to grow and enhance shareholders' value. Finally, I would also like to thank all our employees, whose efforts and expertise have contributed to the growth of the Company, and our customers, bankers and vendors for their continued support to the Company.

Yours sincerely,

MM Dhanuka
Chairman

MANAGING DIRECTOR'S REVIEW

"The robust technical expertise of DUGAS would facilitate the JV to manufacture high quality products."



Dear Fellow Shareholders,

The year 2015-16 has been a very exciting one for the Company in terms of profitability growth achieved and strategic decisions undertaken. However, this annual report is not about where we are at present but it is more about where we intend to be over a period of time.

To begin with, the Company's revenues decreased 19.85% during the year to ₹ 956.41 cr. Despite this, the profitability and margins of the Company increased significantly as rising crude prices led to proportionately higher increase in the prices of Phthalic Anhydride (finished goods) as compared to Orthoxylene (raw material) prices. The EBIDTA increased 34.51% to ₹ 116.92 cr, while PAT grew 578.20% to ₹ 60.36 cr. Moreover, the declining leverage in the Company resulted in 40.57% decline in finance costs. The return on equity increased from 12.6% in 2014-15 to 20.7%. In consideration of this performance, the Company declared a dividend of 20% (₹ 2 per equity share of ₹ 10 face value).

During the year, the Company made a significant strategic decision of extending its product portfolio in a similar line of business having similar clientele – Maleic Anhydride (MA) manufacturing. IGPL, through its wholly-owned subsidiary IGPL (FZE) entered into joint venture with M/s. Dubai Natural Gas Co. Ltd (DUGAS), a wholly-owned subsidiary of ENOC, for setting-up of a 45,000 MTPA MA manufacturing unit. The robust technical expertise of DUGAS would facilitate the JV to manufacture high quality products. While the strong marketing and distribution network of IGPL would enable the JV to easily market them to end-users. Gulf countries and India would be the primary markets with a view to extend to European markets in later stages.

In our existing business of phthalic anhydride, our investments in scaling (PA1, PA2, and PA3 with a combined capacity of 1,69,250 MTPA), operational front improvement and adoption of environment-friendly technologies will contribute towards business growth and sustainability. The stabilising crude prices, improvements in global markets, strong consumption demand, increasing government initiatives and thrust on infrastructure sector is further likely to boost PAN demand. Another important event during the year was the ruling of the DTA (domestic tariff area) sales and Catalyst cases in the Company's favour resulting in it being absolved of contingent liabilities related to Excise and Customs duties to the extent of ₹ 204.05 cr.

One of the major challenges for the PAN industry is the dumping of low cost products from the Chinese, Korean, Russian and Japanese markets. However, in December 2015, the Government of India imposed anti-dumping duties on phthalic anhydride exported by Russian and Japanese markets in India thereby securing Indian players. The industry further expects consideration for these duties on goods from Chinese and Korean markets to safeguard the interests of players in India.

Going forward, I see the Company growing both in volume and value terms with margins improving. We intend to develop a business model which is relatively non-cyclical, protecting bottomline in challenging times and maximising returns during favourable scenario. I thank all our stakeholders inside and outside the Company for being with us during these years. I like to welcome you all to stay with us over the years as they would be more rewarding.

Yours sincerely,

Nikunj Dhanuka
Managing Director & CEO

ABOUT US

I G Petrochemicals Ltd. (IGPL) is the flagship Company of the Dhanuka Group. It is more than just one of India's largest Phthalic Anhydride (PAN) manufacturers.

It is amongst the world's most competitive and reputed PAN manufacturers. For years, the Company continued to focus on one business – avoiding disruption and deviations. Leveraging years of experience, size, quality and competence, it has emerged as the most trusted manufacturer to some of the largest global downstream customers.

Lineage

- Incorporated in 1988 and began Commercial production in 1992
- Scaled from 45,000 MTPA PAN manufacturing capacity to 1,69,250 MTPA
- Internationally renowned in the PAN market
- Listed at National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange (BSE)

Presence

- Headquartered in Mumbai
- Three PAN manufacturing units at MIDC, Tajola in Raigad district (Maharashtra, India)
- Proposed to set up a Maleic Anhydride (MA) manufacturing unit in Jebel Ali (UAE) through JV with DUGAS (Dubai Natural Gas Co.)

Key strengths

- India's leading and lowest cost PAN manufacturer
- ISO 9001:2008 for quality management system and ISO 14001:2004 for environment certification from Bureau Veritas
- All major raw material suppliers and end-users located in close proximity to the western region from the plant leading to lower logistics cost and faster turnaround. Majority of the raw materials are procured from India's largest petroleum refinery in Gujarat
- Six-sigma quality control processes and ERP systems across the organisation
- 100% energy requirement through captive power plants
- Strong intellectual capital