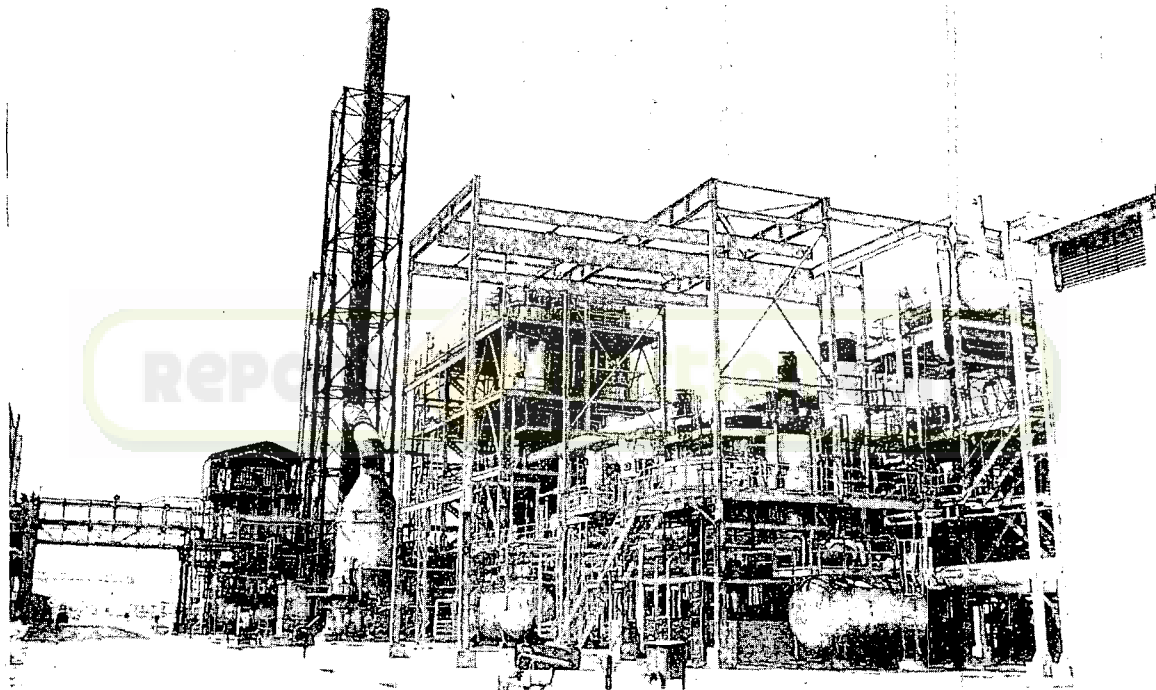


10TH
ANNUAL REPORT
1997-98

MD	<input checked="" type="checkbox"/>		BEC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	NA
RO	<input checked="" type="checkbox"/>		DEV	NA
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



I G PETROCHEMICALS LIMITED



A view of new Phthalic Anhydride plant

I G PETROCHEMICALS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that an Extra Ordinary General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday, the 22 May, 1999 at 11 a.m at the Registered Office of the Company at T - 2 Shabana Chambers, Panaji - 403 001 Goa to transact the following business :

Special Business

To consider the Report of the Board of Directors of the Company to the shareholders as to :

The Net Loss of the Company as at 30 September, 1998 , having eroded more than 50% of the Peak Net Worth of the Company i.e. Rs.12079.82 lacs during the immediately preceding four financial years and the causes for such erosion.

Mumbai
11 February 1999

By order of the Board

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

Pradeep Jain
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 the meeting. Form of proxy is enclosed.
2. The Explanatory Statement as required under section 173 of the Companies Act,1956 is annexed hereto.

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

The peak net worth of the Company during the preceding four financial years was Rs. 12079.82 lacs as at 30 September 1997. The net loss of Rs. 6843.83 lacs for the year ended 30 September 1998 has resulted in erosion of more than 50% of the said peak net worth of the Company.

Under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 the Company is required to send report of the Board of Directors on such erosion and causes thereof to the members for their consideration at the general meeting and also report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) which is enclosed herewith.

Therefore the Extra Ordinary General Meeting of the Members of the Company is being convened after the adoption of the annual Accounts for the year ended 30 september 1998.

Shri M M Dhanuka, Shri Nikunj Dhanuka, Shri B N Dhanuka Directors of the Company are deemed to be concerned or interested to the extent of their shareholding. None of the other Directors is concerned or interested.

Mumbai
11 February 1999

By order of the Board

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

Pradeep Jain
Secretary

I G PETROCHEMICALS LIMITED**DIRECTORS' REPORT**

To the Members of I G Petrochemicals Limited

The Directors hereby report that the net loss of Rs.6843.83 lacs as at the end of financial year 1997-98 has resulted in erosion of more than 50% peak net worth i.e. Rs.12,079.82 lacs of the Company during the immediately preceding four financial years as follows :

Year	1993-94	1994-95	1995-96	1996-97 (Rs. in lacs)
Peak Net Worth	5215.47	9124.57	11321.81	12079.82

Therefore the Company has become potentially sick company in terms of section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985.

The erosion in Net Worth has been caused by the following reasons:

The company is a 100% Export Oriented Unit engaged in manufacture of Phthalic Anydride (PA) in India with installed capacity of 1,10,000 MT at its plant at Taloja, District - Raigad, Maharashtra.

Encouraged by its performance in 1994-95, the Company had embarked upon expansion of its capacity from 45,000 MT to 1,10,000 MT. The new PA-2 plant started trial runs in March 1997 but it has not yet stabilised due to some operational problems. This has resulted in cost overrun from Rs.148 crores to Rs.239.58 crores.

The international prices of PA have been falling down since the capacity was increased. The PA prices in the international market which were ruling around US \$ 1450 in January 1995 have come down steeply to US \$ 310 in September 1998 squeezing the conversion margin from US \$ 490 to US \$ 55.

Though the Company is allowed to sell 25% of its production in the local market it could not take advantage of this as the prices in the local market were not remunerative due to dumping by the South East Asian countries.

Presently the industry is suffering from chronic over supply situation which has arisen due to increase in capacities of PA plants all at a time in India, Korea, Taiwan, Indonesia and other South East Asian countries.

The East Asian markets of PA are passing through the worst ever recession resulting in rock bottom export prices and cutting of even minimum margins over raw-materials (Orthoxylene) costs. As a consequence the finished product (PAN) prices do not fully cover the cost of conversion and interest.

In general the petrochemical industry is passing through a recessionary period.

The dues of the bankers and institution are mounting on as the interest rates are high and cannot be covered fully under the present price structure and cash generation from exports.

Due to sluggish capital market condition the Company could not come out with the public issue and therefore had to resort to borrowings from Institutions and Banks. This has increased the interest burden of the Company from Rs. 1191.33 lacs in 1996-97 to Rs.2346.41 lacs in 1997-98.

All these factors together have resulted in more than 50% erosion of peak net worth of the Company in the preceding four financial years.

Measures for Revival

The Board has taken the following initiatives and measures for revival of the Company :

1. Restructuring Proposal

The Company has submitted restructuring proposal to the Banks and Institutions requesting them for moratorium for payment of interest and instalment on the term loans, funding of interest, reduction in rate of interest etc.

I G PETROCHEMICALS LIMITED

2. Additional L/C facility

The Company has also approached the bankers for short term L/C facility for procuring raw material. On sanction of the said L/C facility the Company can run both the plants which will result in reduction in cost of production.

3. Cost Cutting Measures

The Company has taken drastic cost cutting measures to control expenditure i.e. retrenchment of excess staff, overall close monitoring and curtailment of expenses etc.

4. Export Prices of PA

The PA industry is cyclical in nature. The prices of PA in the international market have touched the bottom. We expect that by end of 1999 demand from China and other South East Asian countries to pick up which will help in bringing up the prices of PA to realistic levels.

The increase in production by running of both the plants with the help of additional working capital facilities and further approval of the restructuring proposal, the company is expected to take a turnaround.

For & on behalf of the Board

M M Dhanuka
(Director)

Mumbai
11 February 1999

Nikunj Dhanuka
(Director)

I G PETROCHEMICALS LIMITED

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

PROXY FORM

I/We _____ Folio No _____
of _____ being
member(s) of the above named Company hereby appoint _____
of _____ or failing him _____
of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company, to be held on Saturday the 22 May, 1999 at 11.00 a.m. and any adjournment(s) thereof.

Signed this _____ day of _____ 1999.

Signature _____

Affix 1 Re. Revenue Stamp

N.B.: This proxy must be deposited at the Company's registered office not later than 48 hours before the time for holding the meeting.



I G PETROCHEMICALS LIMITED

BOARD OF DIRECTORS : SHRI M. M. DHANUKA
 SHRI SHYAM BHARTIA
 SHRI M. M. JAYAKAR
 SHRI R. KANNAN, Nominee - ICICI
 SHRI NIKUNJ DHANUKA
 SHRI B. N. DHANUKA, Executive Director
 SHRI J. K. SABOO

AUDITORS : M/S HARIHARAN & CO.
 Chartered Accountants
 220/5, First Main Road,
 Sampangiam 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 PRADEEP JAIN

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.

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

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

**REGISTRAR & SHARE
 TRANSFER AGENTS
 (DEMAT) :** M/S Big Share Services Pvt. Ltd.
 I, 12, Ansa Industrial Estate
 Sakivihar Road, Saki Naka
 Andheri (East), Mumbai - 400 072.

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

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I G PETROCHEMICALS LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 10th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday the 27 March, 1999 at 11 a.m. at The International Centre, Goa University Road, NLO Post Office, Dona Paula, Panaji, Goa- 403 004 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 1998.
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 J K Saboo be and is hereby appointed as a Director of the Company liable to retire by rotation.

Alteration of Articles of Association

5. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

After article 66, insert the following Heading and Article as Article 66A:

Dematerialisation of Securities

Article 66 A.

- (1) Definitions for the purpose of this Article:

"Members" means a member as defined under section 41 of the Companies Act, 1956.

"Beneficial Owner" shall mean the beneficial owner as defined in clause (a) sub section (1) of Section 2 of the Depositories Act, 1996.

"Depositories Act, 1996" shall include any statutory modifications or re-enactment thereof.

"Depository" shall mean a Depository as defined under clause (e) of sub section (1) of Section 2 of the Depositories Act, 1996.

"SEBI" means the Securities & Exchange Board of India.

"Security" means such security as may be specified by SEBI from time to time.

Dematerialisation of Securities Options for Investors

- (2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors

- (3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

I G PETROCHEMICALS LIMITED

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form

- (4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C, 372 and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners

- (5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and who is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of Documents

- (6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- (7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with by a Depository

- (8) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a Depository

- (9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and Index of Beneficial Owners

- (10) The Register and Index of Beneficial Owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

By order of the Board

Mumbai
11 February 1999
Registered Office
T-2 Shabana Chambers
Panaji - 403 001, Goa

Pradeep Jain
Secretary

I G PETROCHEMICALS LIMITED**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 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. The register of Members and Share Transfer Books of the Company will remain closed from 24 March, 1999 to 27 March, 1999 (both days inclusive).
4. 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.
5. Pursuant to Section 205A of the Companies Act unclaimed final dividend for the year 1993-94 have been transferred to the General Revenue Account of the Central Government. The shareholders who have not encashed this dividend are requested to claim the same from the Registrar of Companies, Panaji, Goa.
6. Members who are holding shares in more than one folio are requested to intimate to the Company the details of all their holdings for consolidation into a single folio.
7. Members are requested to communicate the change of address, if any.
8. The Company has signed an agreement on 30 April 1998 to participate as an issuer in the National Securities Depository Ltd. (NSDL) for induction of the Company's securities into their Depository system and have appointed M/s. Big Share Services Pvt. Ltd. as the Company's Registrar and Share Transfer Agents for the electronic mode of securities.

The shares are available for dematerialisation with effect from 13.5.98 and are available for trading on Mumbai Stock Exchange and the National Stock Exchange in the electronic segment. The security bears ISININE 204A01010.

The members who desire to dematerialise their shares, are requested to contact, for necessary assistance, any Depository Participant or M/s. Big Share Services Pvt. Ltd. at the address given below :

M/s. Big Share Services Pvt. Ltd.
I, 12, Ansa Industrial Estate
Sakivihar Road, Saki Naka
Andheri (E), Mumbai - 400 072.
Tel.# 852 3541, 852 4914
Fax.# 852 5207