

**11TH  
ANNUAL REPORT  
1998-99**



**I G PETROCHEMICALS LIMITED**

**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 J. K. SABOO

**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 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, 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  
 Taloja-410 208, Dist. Raigad  
 Maharashtra

**CONTENTS**

	<b>Page</b>
Notice .....	2
Directors' Report .....	6
Auditors' Report .....	11
Balance Sheet .....	14
Profit & Loss Account .....	15
Schedules to Accounts .....	16
Balance Sheet Abstract .....	26
Cash Flow Statement .....	27

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

NOTICE is hereby given that the 11th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Monday the 27 March, 2000 at 10.00 a.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji-403001, 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 1999.
2. To appoint a Director in place of Shri Shyam Bhartia 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 Nikunj Dhanuka 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 an Ordinary Resolution :

RESOLVED that subject to the provisions of Section 198, 269, 309 and 310 read with the 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 J K Saboo, as Executive Director of the Company for a period of five years with effect from 1 April, 2000 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 J K Saboo and that where in any financial year the Company has no profits or its profits are inadequate the Company may pay to Shri J K Saboo 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.

6. 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 66A, insert the following Heading and Article as Article 66B

**66B. NOMINATION**

Notwithstanding anything contained in the Articles of Association or in any other law for the time being in force, where a nomination has been made in the manner prescribed in Section 109A of the Companies Act, 1956 purporting to confer on any person the right to vest the shares in or Debentures of the Company, the nominee shall, on the death of the Shareholder or holder of debenture of the Company or, as the case

**I G PETROCHEMICALS LIMITED**

may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in section 109A and 109B of the Companies Act, 1956, shall be applicable to such cases.

Mumbai  
4 February 2000

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 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 to the date of Annual General Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday the 22 March to Monday 27 March, 2000 (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. Members who are holding shares in more than one folio are requested to intimate to the Company details of all their holdings for consolidation into a single folio.
6. Members are requested to communicate the change of address, if any.
7. Members can avail of the nomination facility by filing Form 2-B as prescribed under the Companies (Central Government's) General Rules and Forms, 1956 with the Company. Blank forms will be supplied on request.
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 Nikunj Dhanuka was co-opted on the Board on 1 July 1998 to fill the casual vacancy caused by the resignation of Shri S S Dhanuka. 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 M M Dhanuka and Shri Nikunj Dhanuka is interested in the resolution.

**Item No.5**

Shri J K Saboo was appointed as a Director of the Company liable to retire by rotation at the 10th Annual General Meeting of the Company held on 27 March 1999.

He is an experienced Management Executive and has wide experience in management and operation of Phthalic Anhydride units. It is proposed to appoint him as a Wholetime Executive Director of the Company for a period of 5 years with effect from 1 April 2000.

The Board recommends approval of his appointment as Wholetime Executive Director.

The remuneration payable to him and the terms of his appointment are as follows :

- I. **Salary :** Rs.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.10,000/- (Rupees Ten Thousand Only) 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.

**I G PETROCHEMICALS LIMITED****(c) Leave travel concession**

For self and his 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 admission or 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.

- III. Notwithstanding anything stated hereinabove, where in any financial year, during the currency of his tenure, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites as specified in para I & II above but not exceeding Rs.10,50,000/- per annum or Rs.87,500/- per month as minimum remuneration.

The resolution is recommended for approval of the members.

None of the Directors except Shri J K Saboo is interested in the resolution.

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

**Item No.6**

As per the Companies (Amendment) Act, 1999, the holder of Shares or Debentures of the Company is allowed to nominate in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his death. In order to bring the Articles of Association of the Company in conformity with the provisions of the amendment made in the Companies Act, a new Article 66B is proposed to be added subject to the approval of the Shareholders in this Annual General Meeting.

The resolution is recommended for approval of the members.

None of the Directors is interested in the resolution.

By order of the Board

Mumbai  
4 February 2000  
Registered Office  
T-2 Shabana Chambers  
Panaji - 403 001, Goa.

**PRADEEP JAIN**  
Secretary

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

The Directors present their 11th Annual Report together with the Accounts of the Company for the year ended 30 September 1999.

	1998-99 Current Year (Rs. in lacs)	1997-98 Previous Year (Rs. in lacs)
<b>1. Financial Results</b>		
Gross Profit/(Loss)	(254.79)	(3446.35)
Interest and Finance charges	2873.26	2401.46
Depreciation	994.51	995.75
Net Profit/(Loss)	(4122.56)	(6843.56)
Provision for wealth tax	0.25	0.27
Net Profit/(Loss) after tax	(4122.81)	(6843.83)
Balance brought forward from previous year	—	1075.16
	<u>(4122.81)</u>	<u>(5768.67)</u>
Proposed Dividend for 1996-97 written back	—	157.78
Tax on Proposed Dividend written back	—	15.78
Set off against General Reserve	(1404.89)	(5595.11)
Set off against Revaluation Reserve	(2717.92)	—
	<u>(4122.81)</u>	<u>(5768.67)</u>

This is the second year in succession for the worldwide recession in the petrochemical industry. The operations of the Company were also affected by this trend. The company had to restrict its production and sales during the year due to unremunerative prices at times.

The working for the first half year ended March 1999 had resulted in operational loss before providing for interest and depreciation (PBID). But from April 1999 PBID has been positive. Whereas the company had incurred operational losses (PBID) of Rs.34.46 crores in the previous year, this year the losses were contained to only Rs.2.55 crores.

The international prices of PA which were ruling around US \$ 325 per tonne in September 1998 have since improved to US \$ 565 per tonne in September 1999. Currently the prices are ruling around US \$ 600 per tonne.

The prices of raw material Orthoxylene have also moved in the same direction but the conversion margin has substantially improved.

In order to take advantage of the improving situation the financial institutions and the banks have agreed to consider additional L/c facility to the Company for import of raw material to keep up regular production.

Once the limits are released the Company would be able to achieve higher production with better working results.

The restructuring proposal of the Company is under active consideration of the institutions and banks. The Company has engaged the services of M/s. Pricewaterhouse Coopers Limited for financial restructuring.

However, in terms of section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 the Company remains potentially sick as its accumulated losses continue to be more than 50% of its peak net worth during the immediately preceding four financial years.



**I G PETROCHEMICALS LIMITED**

The company's fixed assets as on 30.9.99 have been revalued by M/s. S R Batliboi Consultants to reflect their true value in the books.

**2. Dividend**

In view of the loss the Directors do not recommend any dividend for the year ended 30 September 1999.

**3. Operations**

PAN Production of 67130 MT (including production during trial runs) was achieved during 1998-99 and 21201 MT from October 1999 to January 2000.

Export of Phthalic Anhydride was Rs.66.67 crores during the year (excluding export of trial runs production).

The Company has contributed Rs.695.48 lacs to the Central & State Exchequer by way of Excise and Customs Duty and Sales Tax.

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

**4. Expansion Project**

The Company's PA 2 plant has not yet stabilised and therefore some additional equipments were installed during the year and catalyst changed. It is expected that the operation will stabilise and the commercial production should start soon.

**5. Outlook for 1999-2000**

The Company has requested the Bankers for additional Working Capital Limits. The Consortium of Banks have assessed the additional Working Capital requirement of the Company at Rs.45 crores. Already some banks have released their share of the additional limits and other Banks are likely to release their share soon.

With the release of the required additional L/c facility it is expected that the Company's increased production will be obtained with continuous operation yielding better working results in the current year.

The export prices of Phthalic Anhydride have improved with the better demand for petrochemicals. The Company has started procurement of its raw material Orthoxylene from Reliance Industries which may help it in reducing the time lag in procurement and obtaining at competitive prices.

**6. Auditors' Report**

Observations made by the Auditors in Para 2 (d) and (e) in their report are explained and dealt with in the notes in schedule 14 to the Accounts. The management decisions are in accordance with the prevalent commercial practices.

**7. Directors**

Shri B N Dhanuka, Executive Director has resigned from the Directorship of the Company and the Board is pleased to place on record its appreciation of his services. It is proposed to appoint Shri J K Saboo as Executive Director of the Company at the ensuing Annual General Meeting.

Shri Nikunj Dhanuka was co-opted on the board in the casual vacancy caused by resignation of Shri S S Dhanuka. He will retire at the ensuing Annual General Meeting.

Notice has been received U/s 257 of the Companies Act, 1956 for his appointment.

Shri Shyam Bhartia retires by rotation and offers himself for reappointment.

**8. 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.