

**16TH  
ANNUAL REPORT  
2003-2005**



**I G PETROCHEMICALS LIMITED**



A view of Phthalic Anhydride plant at Taloja



## BOARD OF DIRECTORS

SHRI M M DHANUKA  
SHRI PREMJI SINGH  
SHRI NIKUNJ DHANUKA  
SHRI RAJESH R MUNI  
SHRI J K SABOO, Executive Director

## COMPANY SECRETARY

SHRI G K PREM KUMAR

## 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, 2<sup>nd</sup> Floor,  
2<sup>nd</sup> Dhobi Talao Lane  
Mumbai 400 002

## INTERNAL AUDITORS

M/S AJMERA & AJMERA 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.0832-2426364/5

## CORPORATE OFFICE

401/404, Raheja Centre,  
214, Nariman Point,  
Mumbai 400 021  
Tel. No 022 – 22840714  
Fax (91) 22-22040747 / 22836392  
E-mail : [igpetro@vsnl.com](mailto:igpetro@vsnl.com)

## BANKERS

Bank of Baroda  
Bank of India  
United Bank of India  
Canara Bank  
ICICI Bank Limited  
Dena Bank  
Standard Chartered Bank  
Vijaya Bank

## 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 : 28475207  
E-mail:bigshare@bom7.vsnl.net.in

## PLANT

T-2, MIDC Industrial Area,  
Taloja – 410208, Dist. Raigad  
Maharashtra.

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**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the 16<sup>th</sup> Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Thursday, the 29<sup>th</sup> September 2005 at 10.00 a.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji – 403 031, Goa to transact the following business:

1. To consider and adopt the Directors' report and audited accounts of the Company for 18 months ended 31 March 2005.
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 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 & M/s D L Mehta & Co., chartered accountants, Mumbai 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. J K Saboo as executive director of the company for a period of 3 years with effect from 01.04.2005 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 the 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".

Mumbai  
26 August 2005

By order of the Board

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

G K PREM KUMAR  
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 23<sup>rd</sup> September to 29<sup>th</sup> September 2005 (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, the amount of dividend declared on 31.03.1997 for the financial year ended 30.09.1996 and thereafter, remained unpaid or unclaimed for a period of seven years have been transferred to the Investor Education and Protection Fund of the Central Government. ("the fund") established under Sub-section (I) of Section 205C
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. The brief particulars of the Directors of the company to be re-appointed at the ensuing Annual General Meeting are as under:

1. Shri. Premjit Singh 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.

Shri. Premjit Singh, (75), was Chairman of Bank of Baroda at the time of his retirement. He has done Masters in Economics, graduated in Law and is a Certified Associate of Indian Institute of Bankers. With proven experience in Banking activities spanning 42 years, he has held position in Reserve Bank of India, Industrial Development Bank of India, Union Bank of India, Central Bank of India and Bank of Baroda as it's Chairman.

2. Shri. J K Saboo Executive Director, whose term of office came to an end on 31.03.2005 has been reappointed by the Board and Central Government for a further period of 3 years in compliance of provisions of the Companies Act, 1956 under the same terms and conditions subject to approval of the shareholders.

Shri. J K Saboo, (53), a B.com graduate has graduated in law as well. He has varied experience in chemical industry and has put in a total of 30 years service in the present line of activity. He is in charge of overall affairs of the company.

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

### **Item No.4**

Shri. J K Saboo was appointed as executive director of the company by the shareholders for a period of 5 years with effect from 01.04.2000 and his term of office came to an end on 31.03.2005. It is proposed to reappoint Shri. J K Saboo as executive director for a further period of 3 years subject to the approval of the shareholders as per the provisions contained in Sections 198,269,309,310 read with schedule XIII of the Companies Act, 1956. In compliance of the said provisions the company had sought permission from central government for his appointment subject to the approval of the shareholders and the Central government has approved the appointment vide letter No. No.1/129/2005-CL.VII dated 18.July.2005.

Shri. J K Saboo, (53), a B.com graduate has graduated in law as well. He has varied experience in chemical industry and has put in a total of 30 years service in the present line of activity. Presently he is in charge of overall affairs of the company.

The Board recommends approval of his appointment as wholetime executive director.

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

- I **Salary:** Rs.25000 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.10000/- (Rs. 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.

**(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 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.

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.

Mumbai  
26 August 2005

By order of the Board

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

G K PREM KUMAR  
Secretary



## DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the 16<sup>th</sup> Annual Report together with the audited accounts of the company for 18 months ended 31 March 2005.

### Financial Results

	2003-05 for 18 months	2002-03 for 12 months
	Rs. in Lakhs	
Gross Profit	2969.26	2082.50
Less : Interest and finance charges	8020.55	6388.85
Depreciation	4029.22	2740.95
Loss before Extra Ordinary Item	9080.51	7047.30
Less Extra Ordinary Item	5864.92	1588.75
Loss before tax	3215.59	5458.55
Provision for wealth Tax	0.59	0.22
Loss after Tax	3216.18	5458.77
Loss carried to balance sheet	25178.64	21962.46

In the absence of profit, your Directors are unable to recommend any dividend for the period ended 31 March 2005.

### Performance Review

The financial year of the company was extended by six months to close at 31 March 2005 and the balance sheet profit and loss account have been compiled for a period of 18 months to fall in line with Income Tax rules.

During this period the production of phthalic anhydride (PAN) was 141536 MT compared to previous period production 90311 MT. The total sales turnover of the company for 18 months period was Rs.55704.83 Lacs as compared to Rs. 27649.04 Lacs during the previous 12 months period. The gross profit before interest, depreciation & tax for the same period stood at Rs. 2969.26 Lacs compared to Rs. 2082.50 Lacs during the previous period. The net loss during the period stood at Rs.3216.18 Lacs compared to previous

period Rs.5458.77 Lacs. The decrease in net loss was due to increase in extra-ordinary item amounting to Rs.4276.17 Lacs representing relief on account of full and final settlement of outstanding dues of some banks.

### Future outlook

The ongoing thrust on infrastructure and development activities are expected to trigger further demand for PAN. With the continuing surge in oil prices, your directors expect that, there will be a forward movement of the prices of the finished products of the company. Further it is expected that, the working of the company will be better in the current year.

### Restructuring of Company's debts and liabilities

The company continued its efforts during the period also to restructure its debts and liabilities with banks and financial institutions. Your directors are happy to inform you that, the company could satisfy the debts of some more banks and financial institutions. Meanwhile IDBI has transferred the liability of the company to SASF (Stressed Asset Stabilization Fund), a special purpose vehicle created by IDBI. Likewise ICICI Bank Limited also transferred the company's liability to ARCIL (Asset Reconstruction Company of India Limited) and are hopeful that, these debts can be restructured in the coming years.

### Rain havoc

The plants at Taloja, Raigad district, Maharashtra faced worst ever flood situation under torrential rains on 26.07.2005. Raigad district happens to be the worst hit area under the rains and the plants of the company were under 5 feet water on that day. The assessment of actual loss is under process. However as the plants are adequately insured, the management is of the opinion that, there may not be much loss in this regard. The company's systems and records are kept in the factory area which had been affected badly due to the flood. The company had to stop the production for about fifteen days for the same reason.

### Taxes and Duties

The Company has contributed Rs.3229.42 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 specific standards.

**BIFR Registration**

The company's appeal / reference with AAIFR (Appellate Authority for Industrial and Financial Reconstruction) / BIFR (Board for Industrial and Financial reconstruction) are still pending with the respective authorities.

**Auditors' Report**

Observations made in paragraph 4b, d, e (i), (ii), (iii), (iv), (v), (vi) and f have been dealt with in Note nos. 5, 9(b), 9(c), 17(a), 08, 14(b) and 11.

**Directors**

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

Shri. J K Saboo, Executive Director, whose term of office came to an end on 31.03.2005 has been reappointed by the Board subject to approval of shareholders for a further period of 3 years, under the same terms and conditions. In compliance of provisions of the Companies Act, 1956, on submission of prescribed application, the Central government, vide its letter No.1/129/2005-CL.VLL dated 18 July 2005 has approved his appointment and remuneration subject to shareholders' approval.

**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 responsible and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 18 months period 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.

**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)(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.

**Auditors**

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

**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 a certificate from the Company's Statutory Auditors confirming the compliance of the conditions of Corporate Governance is attached to this report.

**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  
26 August 2005

**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 energy conservation:

1. An in-house method has been developed for heat transfer salt regeneration which has resulted in excellent performance of both the reactors. This has again benefited in increasing efficiency of steam generation and better energy conservation which is being carried out as and when required based on the carbonate levels in the existing salt system of reactors.
2. All rotating equipments including prime movers vibration monitoring is being carried out everyday. Predictive/preventive maintenance jobs are strictly carried out by which substantial energy saving is achieved by avoiding higher power consumption than rated.
3. Steam losses are minimized by arresting steam leakages as and when required followed by preventive maintenance of thermodynamic steam traps on regular basis to ensure the conservation of energy effectively.
4. Additional low pressure steam of 500 kg/hr is effectively directed through de-superheating system developed in-house earlier and cooled in the corresponding condensing system. By carrying out the same, 500 kg/hr steam/DM water is conserved which was used to vent to atmosphere earlier.
5. Necessary energy conservation studies were made in distillation section by which the furnace oil consumption is being optimized on regular intervals.

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.

**For Eighteen  
months ended  
31.03.2005**

**For Twelve  
months ended  
30.09.2003**

d. Power & Fuel Consumption:

**1 Electricity**

a. Purchased (Units)	<b>320,915</b>	259,237
Total Amount (Rs.)	<b>3,240,871</b>	2,582,612
Rate / Unit (Rs.)	<b>10.10</b>	9.96
b. Own Generation		
I Through Diesel Generator	<b>242,320</b>	210,240
Units per Ltr. Of Diesel Oil	<b>1.96</b>	1.87
Cost / Units (Rs.)	<b>13.50</b>	12.49
II Through Steam Turbine	<b>37206390</b>	24572930
Generator (Units)	—	—
Units per Ltr. Of Fuel / Oil / Gas	—	—

	For Eighteen months ended 31.03.2005	For Twelve months ended 30.09.2003
2 Coal is not used in the manufacturing Process	—	—
3 Furnace Oil quantity (KL)	6,373	5,393
Total Amount (Rs.)	58,451,304	50,866,498
Average Rate / KL (Rs.)	9,171	9,432
4 Other / Internal Generation	—	—

**(B) Consumption per units (MT) of Product**Phthalic Anhydride /  
Phthalate Plasticizer

Standard

Electricity – Units

Not Specified

258

277

Furnace Oil – Liters

Not Specified

44

60

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

- (i) 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.
- (ii) Benefits derived as a result of above R & D: Benefits in terms of better quality and increased productivity.
- (iii) Future plan of action: All the efforts are being continued in the direction of product/process development as mentioned above.
- (iv) Expenditure incurred on R & D: The Company has incurred expenditure to an extent of Rs.19.60 Lacs. Total R & D expenses as a % of turnover : 0.04%

For Eighteen  
months ended  
31.03.2005

For Twelve  
months ended  
30.09.2003

**D) Foreign Exchange Earnings & Outgo**

(Rs. In lacs)

Total Foreign Exchange Earnings :

31628.80

15794.78

Total Foreign Exchange Outgo :

12956.34

5938.29