

# 18TH ANNUAL REPORT 2006-2007



# I G PETROCHEMICALS LIMITED



***S S Dhanuka***

*Founder Chairman of I G Petrochemicals Limited  
(1942 - 2007)*

**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 R CHANDRASEKARAN

**BANKERS**

Vijaya Bank

**AUDITORS**

M/S HARIHARAN &amp; CO.

Chartered Accountants

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

Jayanagar,

Bangalore - 560 082.

**FACTORY**

T-2, MIDC Industrial Area,

Taloja - 410208,

Dist. Raigad, Maharashtra.

Tel. No. : 022 - 39289100/146

Fax : 022 - 27410192

**INTERNAL AUDITORS**

M/S AJMERA AJMERA &amp; ASSOCIATES

Chartered Accountants

Sonal Link Industrial Estate

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

Link Road, Near Movie Time Theatre,

Malad (West), Mumbai 400 064

**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 - 28473474/3747/0652/0653

Fax : 022 - 28475207

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

**REGISTERED OFFICE**

211, 2nd floor, Kamat Towers

EDC Complex, Patto Plaza

Panaji 403 001, Goa.

Tel.No.: 0832 - 6451339

**CORPORATE OFFICE**

401, Raheja Centre,

214, Nariman Point, Mumbai - 400 021

Tel. No.: 022 - 30286100/132 /133/134

**EXECUTIVE OFFICE**

D/4, Jyothi Complex,

134/1, Infantry Road,

Bangalore - 560 001.

Tel No. : 080 - 22868372/8778

Fax : 080 - 22868778

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

NOTICE is hereby given that the 18<sup>th</sup> Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Friday, the 31<sup>st</sup> August 2007 at 11.30 a.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji – 403 001, Goa to transact the following business :

**Ordinary business**

1. To consider and adopt the Directors' Report and audited Statement of Accounts of the Company for the year ended 31 March 2007.
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 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 and M/s. S R Batliboi & Co., Chartered Accountants, Mumbai be and are hereby appointed joint auditors of the Company to hold office from the 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**

**(This item will be transacted through postal ballot under section 192A of the Companies Act, 1956 and rules made thereunder. The result of the postal ballot will be announced on 7<sup>th</sup> September 2007)**

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Act to mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and/or movable properties of the Company wheresoever situate, present and future and the whole of the undertaking(s) of the

Company, together with the power to take over the management and business of the Company in certain events in favour of the Financial Institutions, Banks, and/or others to secure the present and future term loans/foreign currency loans/external commercial borrowings for an aggregate nominal value not exceeding US\$ 50 million (approximately Rs. 200 crores) together with interest, additional interest, commitment charges, costs, charges, expenses and other monies including any increase on account of revaluation/devaluation/fluctuation in the rates of foreign currencies involved, payable by the Company to the Financial Institutions, Banks and/or others in terms of their respective loan agreements /letters of sanction/Memorandum of terms and conditions in respect of the said loans, such security to rank pari passu with the mortgages and/or charges created or to be created by the Company or in such manner as may be agreed to between the concerned parties and the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to negotiate, finalise and settle with the Financial Institutions, Banks and/or others all deeds, documents and writings for creation of the aforesaid mortgages/charges and for reserving the aforesaid right in their favour and to do all such acts, deeds and things in the manner as may be necessary or proper for giving effect to the aforesaid resolution.

Mumbai  
16 July 2007

Registered Office  
211, 2<sup>nd</sup> floor,  
Kamat Towers,  
EDC Complex, Patto Plaza,  
Panaji-403 001, Goa

By order of the Board

**R Chandrasekaran**  
President (Finance)  
& 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. The Register of members and share transfer books of the Company will be closed from 24 August 2007 to 31 August 2007 (both days inclusive).
3. Members are requested to intimate the Registrar & Transfer Agent (RTA) of the Company immediately about any change in their addresses. Where the shares are held in electronic form such change is to be informed to the Depository Participants (DP).
4. A member desirous of getting any information in respect of the contents of the Annual Report is required to forward the queries to the Company at least seven days prior to the meeting so that the required information can be made available at the Meeting.
5. Members are informed that pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends have been transferred to the Investor Education and Protection Fund of the Central Government established under sub-section (1) of Section 205C. No dividends have been declared there after.
6. Members may avail the facility of nomination by nominating, in the prescribed form, a person whom your shares in the Company shall vest in the event of your death. Interested members may write to the Company/ Registrars & Share Transfer Agents for the prescribed form.
7. Members are requested to bring their personal copy of the Annual Report to the Meeting.
8. Re-appointment of retiring Director :

Shri M M Dhanuka, 59, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. He is B.E. (Chem.) and a reputed businessman with rich knowledge, experience and expertise in Technical, Production and Marketing fields. He is associated with the Company since inception and with the Group for the past 35 years. He is the Managing Director of Mysore Petro Chemicals Limited (MPCL) and also the Director of Shekhavati Investment Corporation Ltd. and Savita Investment Company Ltd. He is also a members of the Shareholders/Investors Grievance Committee of MPCL. Shri M M Dhanuka's shareholding (in his sole name and/or as first named shareholder in case of joint shareholdings) in the Company comprise of 93104 shares

representing 0.35 % of the Company's paid up share capital.

The Board commends the appointment of Shri M M Dhanuka.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) AND 192A OF THE COMPANIES ACT, 1956**

The Company proposes to undertake substantial expansion of its manufacturing capacity of Phthalic Anhydride (PA) at an estimated cost of US\$ 50 million (approximately Rs. 200 crores) and the financial resources are required to be raised by term loans/ foreign currency loans/external commercial borrowings from the Financial Institutions, Banks and/or others. As security for the said loans the Company shall have to create mortgage/charge on the immovable and movable assets of the Company. It is proposed to authorize the Board to create such charge for the borrowing limit of Rs. 200 crores.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia, that the Board of Directors of a Public Company shall not, without the consent of the Company in General Meeting sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking the whole, or substantially the whole of any such undertaking. Since mortgaging by the Company of its immovable and movable properties as aforesaid may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under section 293(1)(a) of the Companies Act, 1956 for creation of the mortgage/charge.

The proposed resolution is required to be passed by way of Postal Ballot for which the necessary documents are sent separately to each member. The said resolution is commended for your approval.

None of the Directors is concerned or interested in this resolution.

Mumbai  
16 July 2007

Registered Office  
211, 2<sup>nd</sup> floor,  
Kamat Towers,  
EDC Complex, Patto Plaza,  
Panaji-403 001, Goa

By order of the Board

**R Chandrasekaran**  
President (Finance)  
& Secretary



## DIRECTORS' REPORT

To

The Members

Your Directors hereby present the Eighteenth Annual Report together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2007 :

### Financial Results

	2006-07	2005-06
	Rs. in Lacs	Rs. in Lacs
Gross Sales	60743.05	37384.78
Less : Excise Duty	2645.53	1925.82
Net Sales	58097.52	35458.96
Other Income	181.29	386.74
	<u>58278.81</u>	<u>35845.70</u>
Gross Profit	6725.01	512.59
Less :		
Interest & Finance Charges	2174.33	462.32
Depreciation/Amortisation	1276.77	2145.16
Profit/(Loss) before Extraordinary Item	3273.91	(2094.89)
Extraordinary Item	—	39756.73
Profit before Taxation	3273.91	37661.84
Taxation :		
Income Tax	284.01	—
Wealth Tax	0.30	0.30
Fringe Benefit Tax	20.67	18.00
Profit after Taxation	2968.93	37643.54
Transfer to Revaluation Reserve	—	(6439.60)
Balance brought forward	6025.30	(25178.64)
Balance carried to Balance Sheet	<u>8994.23</u>	<u>6025.30</u>

In view to conserve the resources your Directors do not recommend any dividend.

### Management Discussion and Analysis :

#### Industry Structure and Performance Review

The Company a 100% EOU is engaged in the production of Phthalic Anhydride (PA). It is an organic

chemical manufactured from Orthoxylene (OX). It mainly caters to the needs of the Phthalate Plasticizers, pigments, paints, PVC Compounds, dyes, unsaturated polyester resins etc.

The PA Plants at Taloja, Maharashtra operated satisfactorily during the year and achieved a record production of 105709 MT at 96.10% which is the highest production in the history of the Company as against 87901 MT during the previous year 2005-06. The production was lower during the last quarter due to shut down of PA-II Plant for change of catalyst.

The Gross Sales Turnover of the Company was increased both on account of higher volumes and price increase to Rs. 60743.05 lacs as against Rs. 37384.78 lacs during the previous year registering a growth of about 62.50%. The Gross Profit was at Rs. 6725.01 lacs as against Rs. 512.59 lacs during the previous year which was remarkably higher by about 1212%. The Net Profit for the year was at Rs. 2968.93 lacs. The Earnings Per Share (EPS) was at 11.29 per share and the Cash EPS was at 16.14 on the paid up value of Rs. 10/- per share.

As a restructuring exercise your Company had raised funds by issue of 500 – 10% Convertible Debentures aggregating to Rs. 125 crores to the Spinnaker Group on 31.3.2006 and repaid the existing debts. The balance debts amounting to Rs. 1650.88 lacs due to the term lenders and working capital banks were repaid during the current year 2006-2007.

In view of the restructuring and repayment of the debts your Company has been de-registered from BIFR as per their Order dt. 2.6.2006 and is now on a growth momentum.

### Opportunities and Future Outlook

In the present era of globalization along with projected and sustainable growth of the industry, development coupled with induction of energy efficient technology is the need of the day. The Indian economic scenario is buoyant and GDP continues to grow at 7 to 8 percent. This presents several growth opportunities due to governments thrust on infrastructure and other related activities.

There is a surge in demand for PA in both international and domestic markets due to exponential growth in construction and infrastructure industries. As the petrochemical industry has revived during the past one year experts feel that the revival cycle will continue to exist for some more years. As Indian economy is growing at a good rate coupled with the revival of petrochemical industry we are confident that PA manufacturers will achieve better results in the years to come.

### **Expansion Plans**

In view of the growing demand for PA in the domestic and overseas markets, the existing capacities are fully utilized and there is scope for future expansion. The Company is therefore planning expansion of its existing capacity and the initial feasibility reports are being looked into. The expansion of capacity would maximize the economies of scale and the cost of production would be significantly reduced.

### **Taxes and duties**

The Company has contributed Rs. 3969.57 lacs to the Central and State exchequer by way of Excise, Sales Tax, Fringe Benefit Tax, Income Tax, Wealth Tax and Profession Tax.

### **Concerns and Threats**

The petrochemical products in general and the PA industry in particular are globally traded products and their prices are subjected to international market forces of demand-supply and other factors that influence price volatility. The crude prices were high and volatile for most part of the year which impacted the prices of the downstream petrochemical prices.

Also, Reliance Industries has converted itself into a 100% Export Oriented Unit (EOU) and hence the supply of raw materials from them has become uncertain. Hence the Company has to import the raw materials regularly. However the Company being an EOU, has good contacts internationally with the suppliers of Orthoxylene and hence the Company will be in a position to procure the required raw material.

In view of this the Company faces the risks as to procurement of raw material due to change in status of Reliance to 100% EOU, currency fluctuations in recent times and Government policies.

In order to cope up with the vagaries of such external conditions the Company is evolving new strategies for procuring raw materials uninterruptedly which are expected to yield positive results.

### **Internal Control Systems**

The Company maintains a system of internal control, including suitable monitoring procedures. These control procedures ensure safeguarding of Company's resources apart from having control over the transactions and compliances with laws and regulations. Internal Audit is conducted at regular intervals and the Internal Audit Report is discussed in the Audit Committee meetings and the management acts upon the Audit Committee's observations.

### **Human Resource Development/Industrial Relations**

On industrial relations front, your Company continued to enjoy a cordial and harmonious relationship with the employees.

Your Company had a staff strength of 271 as on 31 March 2007.

### **Cautionary Note**

Certain statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook.

### **Change of place of Registered Office**

The Registered Office of the Company was changed from 106/107, Gurudatta, M G Road, Panaji - 403 001, Goa to 211, 2<sup>nd</sup> Floor, Kamat Towers, EDC Complex, Patto Plaza, Panaji - 403 001, Goa with effect from 15.07.2006.

### **Listing/Delisting of shares**

Your Company's shares were listed with the National Stock Exchange Ltd. (NSE) w.e.f. 29.1.2007 under the symbol "IGPL". The Company's shares are now listed with the Bombay Stock Exchange (BSE) and NSE.

The Company's shares were delisted from the Calcutta Stock Exchange Association Ltd. w.e.f. 20.4.2006.

### **ISO 9001 : (2000) Certification**

Your Company continued to be certified under ISO 9001 : (2000) by Beaureu Veritas for quality management systems as per their special standards.

### **Auditors Report**

Observations made in paragraphs 4 (e) & (f) have been dealt with in Note No.5 (a) & 13 of Schedule 13.

**Directors**

Shri M M Dhanuka retires by rotation and being eligible has offered himself for reappointment.

Shri Nikunj Dhanuka has been appointed as the Managing Director of the Company w.e.f. 27.4.2006 for a period of five years as per the approval received from the Central Government.

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that –

- a) in the preparation of the annual accounts, all the applicable accounting standards have been followed;
- b) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities;
- d) the annual accounts have been prepared on a going concern basis.

**Particulars of employees**

Except the Managing Director, the statement of remuneration, particulars of which is annexed to the annual report, there is no other employee drawing the requisite remuneration, in terms of section 217(2A) of the Companies Act, 1956.

**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.

**Corporate Governance**

Pursuant to Clause 49 of the Listing Agreement, Corporate Governance Report together with the Auditors' Certificate on compliance of the conditions of Corporate Governance form part of this Annual Report.

**Auditors**

The Company's Statutory Auditors, M/s. Hariharan & Co., Chartered Accountants, Bangalore retire and are eligible for reappointment. Your Directors commend their appointment for the ensuing year.

As per the recommendations of the Audit Committee and approved by the Board of Directors at their meeting held on 21.5.2007, M/s. S R Batliboi & Co., Chartered Accountants, Mumbai are recommended for appointment as the joint Statutory Auditors alongwith M/s. Hariharan & Co., Chartered Accountants, Bangalore for the current financial year 2007-2008 subject to approval of the shareholders at the forthcoming Annual General Meeting (AGM). They shall hold office from the conclusion of the ensuing AGM until the conclusion of the next AGM of the Company.

**Acknowledgement**

Shri S S Dhanuka the founder Chairman of the Company passed away on 30.04.2007. The Directors place on record the valuable contribution made by him for building this organization.

The Directors would like to thank the central and state governments, banks, customers, suppliers, shareholders and the employees for their continued support.

For and on behalf of the Board

Mumbai  
21 May 2007

**M M Dhanuka**  
Chairman



**I G PETROCHEMICALS LIMITED****Annexure to Directors' Report**

Information as per Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report to the members for the year ended 31 March 2007.

**A) Conservation of Energy****a) Energy conservation measures taken :**

1. Plant Oxidation interruptions are minimized so that additional energy requirements are reduced.
2. Oil heating heater operation interruptions are reduced.
3. Heat loss through insulations are plugged by reinforcing the insulations wherever required.
4. Traps malfunctioning and steam leaks are immediately plugged.
5. Predictive and Preventive maintenance jobs are carried out by which energy is saved.
6. Rotating equipment conditions are monitored for effective utilization of energy.
7. Leaky plant air line is replaced with new one to plug the unwanted air leaks, thus saving in power at compressors.
8. In one of the cooling towers two nos. of fans are replaced with FRP material.
9. The excess steam of the plant is de-superheated and condensed in an available condenser.

**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 of goods :**

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.

**d) (i) Total energy consumption and energy consumption per unit of production :****Power & Fuel Consumption**

	<b>2006-2007</b>	<b>2005-2006</b>
<b>1. Electricity</b>		
a. Purchased (Units)	<b>118,826</b>	503,184
Total Amount (Rs.)	<b>2,445,869</b>	3,941,454
Rate/Unit (Rs.)	<b>20.58</b>	7.83
b. Own Generation		
i Through Diesel Generator	<b>49,840</b>	402,160
Units per Ltr. of Diesel oil	<b>1.16</b>	2.58
Cost/Units (Rs.)	<b>31.34</b>	13.09
ii Through Steam Turbine	<b>25,633,860</b>	20,666,430
Generator (Units)	—	—
Units per liter of Fuel/Oil/GAS	—	—
<b>2. Coal is not used in Manufacturing Process</b>	—	—
<b>3. Furnace Oil quantity (KL)</b>	<b>4,453</b>	4,867
Total Amount (Rs.)	<b>65,030,201</b>	59,964,869
Average rate/KL (Rs.)	<b>14,604</b>	12,321

**I G PETROCHEMICALS LIMITED**

4. Other / Internal generation		—	—
(ii) Energy Consumption per Unit (MT) of product			
Phthalic Anhydride	Standard		
Electricity – Units	Not Specified	244	245
Furnace Oil – Litres	Not Specified	42	55

**B) Technology Absorption****Research & Development (R&D)****1. 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.

**2. Benefits derived as a result of above R & D :**

Benefits in terms of better quality and increased productivity.

**3. Future plan of action :**

All the efforts are being continued in the direction of product/process development as mentioned above.

**4. Expenditure incurred on R & D :**

The Company has incurred expenditure to an extent of Rs.15.09 lacs.

Total R & D expenses as a % of turnover : 0.03%

**2006-2007****2005-2006**

(Rs. in Lacs)

**C) Foreign Exchange Earnings & Outgo**

Total Foreign Exchange Earnings	<b>33,219.21</b>	22,066.85
Total Foreign Exchange Outgo	<b>9,325.46</b>	6952.78

**Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report dated 21 May 2007 for the year ended 31 March 2007.**

Employees who were employed for part of the Financial Year and were in receipt of remuneration in aggregate of not less than Rs. 24 lacs per annum.

Name	Designation & Nature of Duties	Remuneration (Rs)	Qualification	Age	Experience (Years)	Date of Joining	Previous Employment, Designation, Name of Employer, Period of Service (Years)
Shri Nikunj Dhanuka	Managing Director	26,00,815.30	B.Com.	40 Yrs	9 years	27.4.2006	NIL

**Notes :**

- Remuneration includes salary and value of perquisites.
- The terms of appointment of Shri Nikunj Dhanuka, Managing Director is for a period of five years from 27.04.2006.
- The nature of employment is contractual.
- Shri Nikunj Dhanuka, Managing Director is a relative of Shri M M Dhanuka, Director of the Company.
- Other terms and conditions : As per Company's rules.