

**19TH ANNUAL REPORT  
2007-2008**

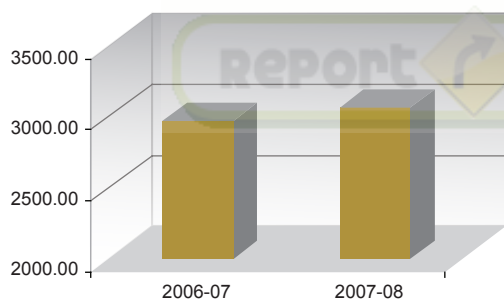


**I G PETROCHEMICALS LIMITED**

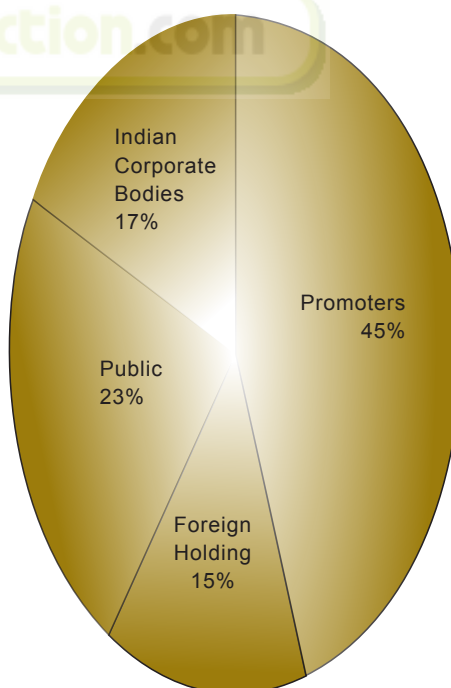
## FINANCIAL HIGHLIGHTS

	Rs. In Lacs	
	2007-08	2006-07
Share Capital	3079.81	2629.81
Share Warrants	116.25	—
Reserves & Surplus	18718.90	16231.23
Net Worth	21914.96	18861.04
Net Sales / Other Income	59066.67	58247.84
Gross Profit	6695.77	6724.71
Interest / Finance Charges	1931.19	2174.33
Depreciation	1298.39	1276.77
Provision for Taxes	409.96	304.68
Net Profit (Loss)	3056.23	2968.93
E P S	10.68	11.29
Interim Dividend	5%	—

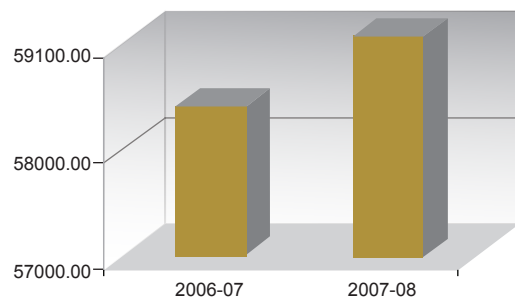
**Net Profit**



**Shareholding Pattern as on 31.03.2008**



**Net Sales**



# I G PETROCHEMICALS LIMITED

## BOARD OF DIRECTORS

SHRI M M DHANUKA, Chairman  
SHRI NIKUNJ DHANUKA, Managing Director  
SHRI PREMJIT SINGH  
SHRI RAJESH R MUNI  
SHRI J K SABOO, Executive Director  
SHRI TARUN GANDHI, Nominee Director

## PRESIDENT (FINANCE) & SECRETARY

SHRI R CHANDRASEKARAN

## AUDITORS

M/S. S R BATLIBOI & CO. Chartered Accountants 6th floor, Express Towers Nariman Point Mumbai – 400 021	M/S. HARIHARAN & CO. Chartered Accountants No. 133, 26th Cross, 6th Block, Jayanagar, Bangalore – 560 082.
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## INTERNAL AUDITORS

M/S. MALPANI & ASSOCIATES  
Chartered Accountants  
307, Chartered House  
297/299, Dr. Cawasji Hormasji Street  
Near Marine Lines Church  
Mumbai – 400 002.

## REGISTERED OFFICE

211, 2nd floor, Kamat Towers  
EDC Complex, Patto Plaza  
Panaji 403 001, Goa.  
Tel. No. 0832-2438212

## CORPORATE OFFICE

401, Raheja Centre,  
214, Nariman Point, Mumbai - 400 021  
Tel. No.: 022 - 30286100/132/133  
Fax : 22040747/22836392  
Email : igpetro@vsnl.com  
Website : www.igpetro.com

## EXECUTIVE OFFICE

D-4, Jyothi Complex,  
134/1, Infantry Road,  
Bangalore - 560 001.  
Tel No. : 080 - 22868372/8778  
Fax : 080 - 22868778

## BANKERS

State Bank of India  
HDFC Bank Ltd.  
Vijaya Bank

## FACTORY

T-2, MIDC Industrial Area,  
Taloja – 410208,  
Dist. Raigad, Maharashtra.  
Tel. No. : 022 - 39289100  
Fax : 022 - 27410192/39289149

## REGISTRAR & SHARE 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 - 40430200/28470652/53  
Fax : 022 - 28475207  
E-mail : bigshare@bom7.vsnl.net.in

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## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 19th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday, 21st June 2008 at 2.00 p.m. at Hotel LA-PAZ Gardens, Swatantra Path, Vasco-da-Gama, Goa - 403 802 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 2008.
2. To appoint a Director in place of Shri Premjit Singh who retires by rotation and being eligible 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. S R Batliboi & Co., Chartered Accountants, Mumbai and M/s. Hariharan & Co., Chartered Accountants, Bangalore, the retiring Auditors, 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

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :
- RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 and 314 and all other applicable

provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, and further subject to such other consents as may be required (including any statutory modification(s) or re-enactment thereof for the time being in force), the members of the Company hereby accord their consent and approval to the reappointment of Shri J K Saboo as Executive Director of the Company for a further period of three years w.e.f. 1st April 2008, on the terms and conditions including as to remuneration as set out below be and is hereby specifically approved and sanctioned with the authority to the Board of Directors including Remuneration Committee of Directors (hereinafter referred to as "the Board of Directors") to alter and vary the terms and conditions of the said re-appointment without any further reference to the Company in the General Meeting :

### Remuneration

- I. Salary : Rs. 1,00,000 per month.
- II. Personal pay : Equivalent to two months salary per year.
- III. Perquisites : Perquisites shall be in addition to the salary and are classified in three categories :

### Category A

#### (a) Housing

The expenditure by the Company for hiring the furnished accommodation shall not exceed Rs. 25000/- per month.

In case no accommodation is provided by the Company, Shri J K Saboo will be entitled to the house rent allowance of Rs. 25000/- per month.

#### (b) Medical reimbursement

Expenses incurred by him and his family subject to a ceiling of one month's salary in a year or three month's 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 eleven 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 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 for Company's business as per the rules of the Company.

## IV. Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during his tenure as the Executive Director, he may be paid remuneration by way of salary and perquisites not exceeding the maximum limits as specified above as minimum remuneration.

Mumbai

By Order of the Board

Date : 7th May 2008

Registered Office:

211, 2nd floor,  
Kamat Towers  
EDC Complex  
Patto Plaza  
Panaji – 403 001, Goa

**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. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Resolution set out above is annexed hereto.
3. The Register of members and share transfer books of the Company will be closed from 17th June 2008 to 21st June 2008 (both days inclusive).
4. Members are requested to intimate change of address, if any, to the Company/Registrar/ Depository Participant quoting reference of the registered Folio number/ Client ID number.
5. Non-resident members are requested to inform the Company/Bigshare Services Pvt. Ltd. (Registrars) immediately on –
  - i. the change in the residential status on return to India for permanent settlement.
  - ii. the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
6. A member may forward the queries as regards accounts and operations of the Company, if any, at least seven days prior to the meeting so that the required information may be made available at the meeting.
7. Members/Proxies should fill in the attendance slip for attending the meeting.

8. 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/Registrar & Share Transfer Agent for the prescribed form.

9. Members are informed that pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends declared upto 1993-1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Goa.

Members are also informed that pursuant to the said Act, all unclaimed dividends declared during 1994-1995 and 1995-96 have been transferred to the Investor Education and Protection Fund (IEPF) of the Central Government established under sub-section (1) of Section 205C. The same cannot be claimed either from the said fund or the Company.

Members are requested to encash the dividend warrants in respect of the interim dividend of 5% declared and paid during November 2007 before the same is transferred to IEPF after seven years.

10. Appointment of Directors : At the ensuing Annual General Meeting Shri Premjit Singh and Shri J K Saboo seek appointment as Directors. The details pertaining to these Directors required to be provided pursuant to Clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published elsewhere in this Report.

11. **Resolution u/s. 293(1)(a) of the Companies Act, 1956 shall be passed through Postal Ballot and the same is being sent separately.**

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

### **Item No. 4**

Shri J K Saboo was appointed as the Executive Director of the Company for a period of three years from 1st April 2005 and his term of Office expired on 31st March 2008. The Board of Directors have on 5.3.2008 as per the recommendations of the Remuneration Committee approved his re-appointment for a further period of three years from 1.4.2008 to 31.3.2011 subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

Shri J K Saboo, 56 is B.Com., LL.B. and is associated with the Company since 1991. He has more than 30 years experience in the petrochemical industry. He is in charge of the Plant at Taloja, Maharashtra and looks after the overall activities of the Plant including liaisoning with various Government departments.

The resolution is being placed before the members for their approval in the ensuing Annual General Meeting.

None of the Directors, except Shri J K Saboo is concerned or interested in the said resolution.

This Explanatory Statement is and should be treated as an abstract under Section 302 of the Companies Act, 1956.

All the documents referred to in the Notice and Explanatory Statement above are open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and holidays until the Annual General Meeting or any adjournment(s) thereof.

Mumbai

By Order of the Board

Date : 7th May 2008

Registered Office:

211, 2nd floor,

Kamat Towers

EDC Complex

Patto Plaza

Panaji – 403 001, Goa

**R Chandrasekaran**

President (Finance)

& Secretary

## DIRECTORS' REPORT

To

The Members

Your Directors hereby present the Nineteenth Annual Report together with Audited Accounts of the Company for the year ended 31st March 2008 :

### Financial Results

	<b>2007-2008</b>	2006-2007
	<b>(Rs. in lacs)</b>	(Rs. in lacs)
Gross Sales	<b>62541.35</b>	60743.05
Less : Excise Duty	<b>3855.22</b>	2645.53
Net Sales	<b>58686.13</b>	58097.52
Other Income	<b>380.54</b>	150.32
	<b>59066.67</b>	58247.84
Gross Profit	<b>6695.77</b>	6724.71
Less :		
Interest & Finance Charges	<b>1931.19</b>	2174.33
Depreciation/Amortisation	<b>1298.39</b>	1276.77
Profit/(Loss) before Taxation	<b>3466.19</b>	3273.91
Taxation :		
Current Tax (MAT)	<b>392.72</b>	284.01
Fringe Benefit Tax	<b>18.27</b>	20.67
Reversal of excess tax provision for earlier years	<b>(1.03)</b>	—
Profit after Taxation	<b>3056.23</b>	2968.93
Balance brought forward from previous year	<b>8994.23</b>	6025.30
Profit available for appropriation	<b>12050.46</b>	8994.23
Less :		
Appropriations :		
Interim Dividend	<b>153.97</b>	—
Tax on Dividend	<b>26.17</b>	—
Surplus carried to Balance Sheet	<b>11870.32</b>	8994.23

### Dividend

The Company during the previous year 2006-07 made a Net Profit of Rs. 2968.93 lacs and during the six months ended 30.9.2007 made a Net Profit of Rs. 2176.56 lacs. In view of the same your Directors have during October 2007 declared and paid an interim dividend of Rs. 0.50 per share (5%) after a span of more than ten years. The interim dividend

absorbed Rs. 153.97 lacs. The dividend distribution tax borne by the Company was Rs. 26.17 lacs.

The Directors do not recommend final dividend in order to conserve resources.

### Management Discussion and Analysis

#### Operations and Performance Review

The Company's overall performance during the year was satisfactory despite pressure on revenue realization and margins. The production was 110720 MT. at 100.65 % as against 105709 MT. at 96.10% during the previous year 2006-2007 due to surge in demand for PA. The Company has for the first time operated at more than 100% of the installed capacity. The gross sales value was marginally higher at Rs. 62541.35 lacs as against Rs. 60743.05 lacs in the previous year. The Gross Profit was Rs. 6695.77 as against Rs. 6724.71 lacs and Net Profit was Rs. 3056.23 lacs as against Rs. 2968.93 lacs during the previous year.

The Company has started the generation of power since 19th March 2008 after release of the Turbine Generator from the Customs authorities and generated 1.62 lac units. The Company is likely to generate more power and revenue from this source in the coming years.

#### Contribution to exchequer

The Company has contributed Rs. 5272.04 lacs to the Central and State exchequer by way of Excise, Sales Tax, Fringe Benefit Tax, Income Tax, Wealth Tax and Profession Tax.

#### Conversion of Debentures

As a restructuring exercise your Company had raised Rs. 125 crores by issue of 500 Debentures (Part A & B) of Rs. 25,00,000/- each to the Spinnaker Group during March 2006. 500 Debentures (Part A) of Rs. 2,70,000/- each were converted into 45,00,000 equity shares of Rs. 10/- each at a premium of Rs. 20/- per share on 26.9.2007. Part B Debentures (Optionally Convertible) were redeemed during November 2007.

#### Expansion Plans

The Company's expansion plans are taking shape and initial feasibility report has been carried out. In order to fund the expansion project, the Company has tied up an ECB loan of US \$ 35 million from M/s. Nederlandse Financierings Maatschppij voor Ontwikkelingslanden N V (FMO), a developmental financial institution from Netherlands. Part of the funding is also being meted



out by issue of 15,00,000 share warrants to FMO which were allotted on 5.3.2008 at Rs. 77.50 per warrant. The Company has received 10% of the value of warrants from the investor. The holder of the warrant will be entitled to apply for and be allotted one equity share of Rs. 10/- each at a price of Rs. 77.50 per share (including a premium of Rs. 67.50) against each warrant within a period of 18 months from the date of allotment.

## Postal Ballot

Under Section 192A of the Companies Act, 1956 the Company conducted the Postal Ballot by issuing a notice dated 27th July, 2007 to the shareholders seeking their approval under Section 293(1)(a) of the Companies Act, 1956 to create a charge/mortgage on the Company's movable and immovable properties, both present and future, situated at Taloja, Maharashtra, in order to create security in favour of the lending agencies for securing loan/credit facility availed by the Company up to an aggregate value not exceeding Rs. 200 crores together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, cost, charges, expenses and all other monies as may be payable by the Company to the lenders.

Shareholders of the Company approved the resolution with requisite majority.

## Opportunities and Future Outlook

With the upgradation of existing production facilities and future expansion of capacities, the Company is optimistic about the sizable share of export sale in international market and also in the domestic market. The demand for PA is expected to rise due to good growth in user industries especially the Pigments and Plasticizers industries. However with the abnormal increase in international crude prices witnessed during the recent times the pricing of the downstream petroproducts will have a direct impact on the performance of the Company. With Government's continued thrust on infrastructure the business outlook for various commodities seems positive and growth potential for the Company's product continues to be good.

The Indian economic scenario continues to be strong with an expected GDP of around 8% though it could slightly get affected due to US slowdown and other international disturbances. It is expected that the Plasticizer, Pigments and Resins industry is poised for steep growth which would result in substantial increase in demand for PA in local markets. The Copper Phthalocyanine (CPC) and Speciality

Chemicals segments are the fastest growing markets in recent times and there has been newer application of PA in these products. As a result there is surge in local demand for PA.

Due to the recessionary trend in US, it is expected that there will be slowdown in China which is a net importer of PA. Hence there is a possibility of more supply of PA in the international markets. Of late it has been observed that there has been heavy dumping of PA by Chinese and Korean producers in the south east and middle east countries. As a result there has been stiff competition in the international markets especially the middle east countries resulting in low export realizations. Hence the Company is exploring newer markets in the east european countries.

The Company is a 100% Export Oriented Undertaking (EOU) and is eligible for DTA sales after fulfilling the export obligations. In the last Budget 2008, customs duty on DTA sales has been increased from 25% to 50%. Hence DTA sales will be less beneficial to EOU's who are selling PA locally. Whereas the excise duty on PA has been reduced from 16% to 14% for local units. Hence the local producers are benefited. It would therefore be prudent for the Company to convert itself into a domestic unit in future to take advantage of the situation and become a dominant player in the local market.

## Risks and Concerns

High international crude price would have a direct impact on the downstream petrochemical products, wide price fluctuations, imbalance and mis-match in demand supply position of raw materials and finished products, currency fluctuations, lower margins, dumping of PA, government policies and duty changes etc. could affect the working adversely.

## Internal Control System

The Company has an established framework of internal controls in operation, including suitable monitoring procedures and self-assessment exercises. An independent Internal Audit function reviews the Company's financial and operating controls at various locations. The Board through the Audit Committee, reviews the key risks, the internal control system and the audit findings.

## Human Resources Development/Industrial Relations

Your Company continues to enjoy a cordial and harmonious relationship with its employees. The total



staff strength is 312 as on 31st March 2008.

## Cautionary Note

Certain statements made in the report regarding the Company's objectives, projections, estimates and predictions 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.

## Listing of shares

Your Company's shares are listed on the Bombay Stock Exchange Limited (BSE) under Scrip code No. 500199 and the National Stock Exchange of India Limited (NSE) under the symbol 'IGPL'. The ISIN code is INE 204A01010.

## ISO 9001 : (2000) Certification

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

## Directors

Shri Premjit Singh retires by rotation and being eligible has offered himself for re-appointment.

Shri J K Saboo has been re-appointed as Executive Director of the Company for a further period of three years from 1st April 2008 by the Board of Directors in the meeting held on 5th March 2008. A proposal for his re-appointment as Executive Director is being placed before the members for approval at the Annual General Meeting.

## 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 ended 31st March 2008 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 Shri Nikunj Dhanuka, Managing Director, there is no other employee drawing the requisite remuneration in terms of Section 217(2A) of the Companies Act, 1956. The statement of remuneration of Shri Nikunj Dhanuka is annexed to 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.

## Corporate Governance

As per Clause 49 of the Listing Agreement, a separate section on Corporate Governance forms part of this Annual Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is given as Annexure B forms part of this Annual Report.

## Auditors and Auditor's Report

The Company's joint Statutory Auditors M/s. S R Batliboi & Co., Chartered Accountants, Mumbai and M/s. Hariharan & Co., Chartered Accountants, Bangalore retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

Observations made in paragraphs 4(vi) has been dealt with in Note No.5 of Schedule 19.

## Acknowledgements

Your Directors wish to place on record their appreciation for the continued support and co-operation of the shareholders, Banks, various Regulatory and Government authorities and the contribution made by the employees to the significant improvement in the working of the Company.

For and on behalf of the Board

Mumbai  
Date : 7th May, 2008

**M M Dhanuka**  
Chairman

## Annexure 'A' to the 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 2008.

### A) Conservation of Energy

#### a) Energy conservation measures taken :

1. Plant Oxidation interruptions are minimized by installing 2 sensors and control loop with the provision of interruption of oxidation operation which will take place only when both the sensors exceed upper/lower limits and the same has resulted in continuous operation of oxidation for more than 95% number of days operation thereby additional fuel requirement on start up has reduced.
2. To prevent heat losses from many of the high temperature surface area of equipment, insulations of the same have been replaced by providing heat transfer cement as well as heat resistant insulation pads.
3. Steam traps malfunctioning and steam leaks are being immediately attended to prevent losses.
4. Predictive and preventive maintenance jobs are carried out by which energy is saved.
5. Rotating equipment conditions are monitored for effective utilization of energy.
6. Additional air dryer has been installed to achieve effective utilization of instrument air resulting in power saving by operating instrument air compressor with the logic of loading and unloading with respect to instrument air ring header pressure.
7. Cooling tower fans operations have been provided with temperature control devices thereby cooling water return temperature will be maintained constantly by switching OFF/ON the cooling tower fans resulting in substantial power saving.
8. The excess super heated steam is being utilized for generation of power for export with the optimum consumption for captive power generation for continuous running of the plants.
9. Process blower preventive maintenance are being carried out by required on line condition monitoring in order to maintain less power consumption and providing surplus steam for power export steam turbine.
10. Provide additional steam traps for super heated/saturated steam ring headers maintain the temperature by means of negligible generation of condensate, resulting in reduction of steam loss.
11. Ensuring the required combustion air flow rate to the heat transfer thermic fluid heaters to optimize consumption of fuel consumption.

#### 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

	2007-2008	2006-2007
1. Electricity		
a. Purchased (Units)	92,255	118,826
Total Amount (Rs.)	2,586,094	2,445,869
Rate/Unit (Rs.)	28.03	20.58
b. Own Generation		
i Through Diesel Generator	56,320	49,840
Units per Ltr. of Diesel oil	1.16	1.16
Cost/Units (Rs.)	28.22	31.34
ii Through Steam Turbine	27,827,902	25,633,860