



**IG PETROCHEMICALS LIMITED**

*20<sup>th</sup> Annual Report 2008-2009*

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# I G PETROCHEMICALS LIMITED

## BOARD OF DIRECTORS (As on 25.5.2009)

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

## PRESIDENT (FINANCE) & SECRETARY

SHRI R CHANDRASEKARAN

## AUDITORS

M/S. HARIHARAN & CO.  
Chartered Accountants  
No. 133, 26th Cross,  
6th Block, Jayanagar,  
Bangalore – 560 082

## 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  
Barclays Bank PLC  
HDFC Bank Ltd.  
Vijaya Bank

## FACTORY

T-2, MIDC Industrial Area,  
Taloja – 410208,  
Dist. Raigad, Maharashtra.  
Tel. No. : 022 - 39289100/146  
Fax : 022 - 27410192

## 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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# I G PETROCHEMICALS LIMITED

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 20th Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday 27th June 2009 at 4.00 p.m. at Hotel Nova Goa, Dr. Atmaram Borkar Road, Panaji-403 001, Goa to transact the following business :

### As Ordinary Business

1. To consider and adopt the Directors' Report and audited Statement of Accounts of the Company for the year ended 31 March 2009.
2. To appoint a Director in place of Shri Rajesh Muni 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. Hariharan & Co., Chartered Accountants, Bangalore, the retiring Auditors, be and are hereby appointed 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.

### As Special Business

4. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

RESOLVED THAT in partial modification to the resolution passed by the Board of Directors (including Remuneration Committee Meeting) on 5th March 2008 and by the shareholders at the Annual General Meeting held on 21st June 2008, Shri J K Saboo who was re-appointed as the Executive Director for a further period of three years w.e.f. 1st April 2008, be and is hereby re-appointed

as a Director liable to retirement by rotation, the other terms and conditions of the original appointment remaining unchanged.

By Order of the Board

Mumbai

**R Chandrasekaran**

Date : 25th May 2009

President (Finance)  
& Secretary

### Registered Office:

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

### 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 Ordinary Resolution set out in item No. 4 is annexed hereto.
3. The Register of members and share transfer books of the Company will be closed from 23rd June 2009 to 27th June 2009 (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,

## I G PETROCHEMICALS LIMITED

branch, account type, account number and address of the Bank, if not furnished earlier.

6. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the answers 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/Registrars & Share Transfer Agents 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 declared and paid during November 2007 (2007-2008) before the same is transferred to IEPF after seven years.

10. Appointment of Directors : At the ensuing Annual General Meeting Shri Rajesh Muni seeks appointment as Director. The details pertaining to the same and as required to be provided pursuant to Clause 49 of the Listing

Agreement is furnished in the Statement on Corporate Governance published elsewhere in this Report.

By Order of the Board

Mumbai

Date : 25th May 2009

**R Chandrasekaran**

President (Finance)  
& Secretary

**Registered Office:**

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

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

**Item No. 4**

The Board of Directors is of the view that all the Directors other than the Managing Director and the Nominee Directors shall be Directors liable to retirement by rotation. Shri J K Saboo was re-appointed as the Executive Director of the Company for a further period of three years w.e.f. 1st April 2008 on such terms and conditions as stated in the Board (including Remuneration Committee)/ Annual General Meeting resolutions dated 5th March 2008 and 21st June 2008 respectively as per the terms and conditions stated in the respective resolutions. However there was no mention in the said resolutions about his retirement by rotation. Hence the proposed resolution is recommended for passing incorporating the said clause. All other terms and conditions stated in the original resolution remain unchanged.

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

By Order of the Board

Mumbai

Date : 25th May 2009

**R Chandrasekaran**

President (Finance)  
& Secretary

**Registered Office:**

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

# I G PETROCHEMICALS LIMITED

## DIRECTORS' REPORT

To

The Members

Your Directors hereby present the Twentieth Annual Report together with Audited Accounts of the Company for the year ended 31st March 2009 :

### Financial Results

	<b>2008-2009</b> <b>(Rs. in lacs)</b>	2007-2008 (Rs. in lacs)
Gross Sales	<b>59474.75</b>	62541.35
Less : Excise Duty	<b>3825.74</b>	3855.22
Net Sales	<b>55649.01</b>	58686.13
Other Income	<b>195.90</b>	380.54
	<b>55844.91</b>	59066.67
Gross Profit	<b>3654.23</b>	6695.77
Less :		
Interest & Finance Charges	<b>2135.55</b>	1931.19
Depreciation/Amortisation	<b>1343.47</b>	1298.39
Profit/(Loss) before Taxation	<b>175.21</b>	3466.19
Taxation :		
Current Tax (MAT)	<b>17.86</b>	392.72
Fringe Benefit Tax	<b>17.56</b>	18.27
Tax provision for earlier years	<b>7.11</b>	(1.03)
Profit after Taxation	<b>132.68</b>	3056.23
Balance brought forward from previous year	<b>11870.32</b>	8994.23
Profit available for appropriation	<b>12003.00</b>	12050.46
Less :		
Appropriations :		
Interim Dividend	--	153.97
Tax on Dividend	--	26.17
Surplus carried to Balance Sheet	<b>12003.00</b>	11870.32

### Dividend

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

## Management Discussion and Analysis

### Operations and Performance Review

The performance of the Company during the year was satisfactory with a production of 106471 MT. at 96.79% as against 110720 MT. at 100.65% during the previous year 2007-2008. This is inspite of a sharp cyclical downturn during the last quarter of 2008 due to global economic recession. The gross sales value was Rs. 59474.75 lacs as against Rs. 62541.35 lacs in the previous year. The Gross Profit was Rs. 3654.23 lacs as against Rs. 6695.77 lacs and Net Profit was Rs. 132.68 lacs as against Rs. 3056.23 lacs during the previous year.

The Company has converted itself from 100% Export Oriented Unit (EOU) into a domestic unit since 6th November 2009. As such the sale in the domestic market has increased since November 2009. Out of the total sales of 106696 MT (110146 MT.), local sales was 48093 MT. (37071 MT.), deemed exports 18479 MT. (6109 MT.) and export sales was 40124 MT. (66966 MT.). In the current year we expect the local sales of about 70% of the total production.

The Company started the generation of power during March 2008 and has sold 17,33,856 units of power to the Maharashtra State Electricity Board (MSEB), generating revenues of Rs. 51.93 lacs during the year.

### Contribution to exchequer

The Company has contributed Rs. 5255.49 lacs to the Central and State exchequer by way of Excise Duty, Sales Tax (including Surcharge), Fringe Benefit Tax, Income Tax, Wealth Tax, Professional Tax and Customs Duty.

### Postal Ballot

Under Section 192A of the Companies Act, 1956 the Company conducted the Postal Ballot by issuing a notice dated 7th May, 2008 to the shareholders seeking their approval under Section 293(1)(a) of the Companies Act, 1956 to create

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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. 500 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

The Company has been converted into a domestic unit as per the letter dt. 6th November 2008 received from the Development Commissioner, SEEPZ. Hence the Company can sell its entire produce in the local market without any restrictions. The PA production unit being at Taloja, Maharashtra which is in close proximity to the majority of users in central and northern India, the Company definitely enjoys the locational advantage compared to its competitors. Hence the Company hopes to capture the major part of the domestic demand in the country and become a dominant player. Moreover the demand for PA in the domestic market has increased considerably during the last couple of years.

There had been a significant rise in the international crude price during July/August 2008 due to which the raw material price and the price of the finished product had gone up considerably. However after September 2008 there was a sharp decline in crude prices and hence the downstream product prices also went southwards in tandem. This resulted in extreme volatile situation in the domestic and export markets with little scope to pass the burden to the customers. The market was extremely bad during the last quarter of 2008 due to low demand in domestic and international markets due to postponement of procurements by customers and lot of user units were closed down or partially operated especially the Copper Phthalocyanine (CPC) segment.

However the situation improved from the first quarter of 2009 and the demand has been increasing alongwith the price of the product. The Government has introduced the provisional Safeguards Duty on PA of 25% which would further help in upward movement in PA price. The Plasticizer, Pigments and Resins industry is expected to have good growth which would result in increased demand for PA in local and international markets. Also the CPC and Speciality Chemicals segments have shown some signs of improvement but have not yet stabilized from the slowdown.

The Indian economy which witnessed a GDP growth of more than 8% during the previous fiscal has shown signs of slow growth during the current fiscal due to steep rise in inflation and crude price. While the global economic recession will undoubtedly have its repercussions in India, most of the domestic industries including PA industry do not expect any significant impact on the growth prospects due to Government's continued thrust on infrastructure development in the country. Off late there has been a significant control on inflation and fall in crude prices which would help in maintaining the GDP growth of around 5% which would still be considered better amongst the developing countries.

The recessionary trend in US and other developed countries has a direct impact on PA producers around the world and hence there has been heavy dumping especially by Chinese and Korean producers in the middle east and southeast asian countries. Hence there has been a stiff competition in the international markets resulting in low export realizations. However the Company's thrust for future is to increase the share in the local market and allocates little portion for the export market where the price realizations are better.

### Risks and Concerns

The global economic recession had its impact on most of the sectors and industries. The high crude oil prices and the steep fall in the later half of the year had its effect on the prices of the raw materials and the finished products of the Company. The PA industry continues to remain under

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pricing pressures and volatility, demand supply mis-match, government policies, exchange rate risk and other technical and environmental risks. The Company has a well structured risk assessment and minimization mechanism under the able guidance of the Board of Directors who do a periodic review through a means of properly defined framework.

## Internal Control System

The Company has an established framework of internal controls in operation, including suitable monitoring procedures and self-assessment exercises. In addition to external Audit, the financial and operating controls at various locations are reviewed by the Internal Auditors who report their findings to the Audit Committee of the Board. Compliance with laws and regulations is also monitored.

## Human Resources Development/ Industrial Relations

Your Company continues to lay emphasis on building organizational capability to meet new business needs. On the industrial front your Company has had a cordial and harmonious relationship with its employees and Unions throughout the year. The total staff strength is 295 as on 31st March 2009.

## Cautionary Note

Certain statements made 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.

## 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) and ISO 14001 : (2004) Certifications

Your Company continued to be certified under ISO 9001: (2000) for quality management systems and also obtained Certificate under ISO 14001 : (2004) for environment management systems by Beareu Veritas as per their prescribed standards.

## Directors

Shri Rajesh Muni retires by rotation and being eligible has offered himself for re-appointment.

## 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 –

- in the preparation of the annual accounts, all the applicable accounting standards have been followed;
- 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 2009 and of the profit or loss of the Company for that period;
- 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;
- 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.

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### **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**

M/s. S R Batliboi & Co., Chartered Accountants, Mumbai one of the Joint Statutory Auditors resigned from office vide their letter dt. 24th March 2009. M/s. Hariharan & Co., Chartered Accountants, Bangalore continued to be the sole Auditors of the Company for the year 2008-2009.

The Company's Statutory Auditors M/s. Hariharan & Co., Chartered Accountants, Bangalore retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. Your Directors recommend their appointment for the ensuing year.

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

### **Acknowledgements**

The Directors express their appreciation for the contribution made by the employees at all levels to the significant improvement in the operations of the Company and for the support and co-operation received from all the stakeholders, Banks, various Regulatory and Government authorities and business partners.

For and on behalf of the Board

Mumbai

Date : 25th May, 2009

**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 2009.

### A) Conservation of Energy

#### a) Energy conservation measures taken :

1. Capacitor Banks have been installed at MSEB Switch yard as well as at PA-1 steam turbine's generator HT power distribution system to improve power factor very close to unity thereby overall steam consumption will be reduced.
2. Instrument compressors (4 nos.) pressure settings have been given in such a way that 3 compressors will be running at fully loaded condition and fourth compressor will be switched over to loading and unloading with respect to instrument air demand changes thereby power consumption for instrument air compressor drive will be consumed effectively, resulting in saving of electrical energy.
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. 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 and process optimization.
7. The excess super heated steam is being utilized for generation of power for export by optimization of consumption for captive power generation for continuous running of the plants.
8. Steam Turbine/Process blower preventive maintenance are being carried out as per schedules and on line condition monitoring in order to maintain less steam/power consumption and providing surplus steam for power export steam turbine.
9. Provide additional steam traps of type BPT-21, having 'E' element fitting for saturated steam ring headers maintain the temperature by means of negligible generation of condensate, resulting in reduction of steam loss.

Measuring carbon monoxide at regular intervals of PA-1/PA-2 HT heaters flue gas chimney and ensuring required combustion air flow rate to the heat transfer thermic fluid heaters to optimize consumption of fuel.

#### 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 :

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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

	2008-2009	2007-2008	
1. Electricity			
a. Purchased (Units)	186,608	92,255	
Total Amount (Rs.)	1,577,699	2,586,094	
Rate/Unit (Rs.)	8.45	28.03	
b. Own Generation			
i Through Diesel Generator	312,340	56,320	
Units per Ltr. of Diesel oil	3.16	1.16	
Cost/Units (Rs.)	11.26	28.22	
ii Through Steam Turbine	28,689,654	27,827,902	
Generator (Units)	--	--	
Units per liter of Fuel/Oil/GAS	--	--	
2. Coal is not used in Manufacturing Process	--	--	
3. Furnace Oil quantity (KL)	4,183	3,897	
Total Amount (Rs.)	102,511,435	65,064,265	
Average rate/KL (Rs.)	24,507	16,696	
Other / Internal generation	--	--	
(ii) Energy Consumption per Unit (MT) of product			
1. Phthalic Anhydride	Standard		
Electricity - Units	Not Specified	274	253
Furnace Oil - Units	Not Specified	39	35

### B) Technology Absorption

#### Reserch & 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.