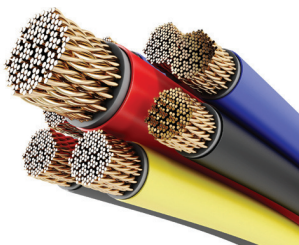


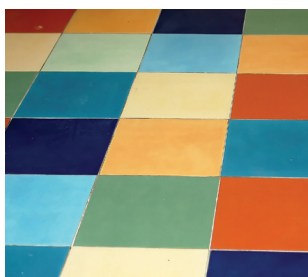


IG Petrochemicals Limited

ANNUAL REPORT 2009-10



Innovating Today
Transforming Tomorrow





I G Petrochemicals Limited awarded
Best Vendor Award 2009-2010
by Kansai Nerolac Paints Limited

BOARD OF DIRECTORS

(As on 20.5.2010)

Shri M M Dhanuka, Chairman
 Shri Nikunj Dhanuka, Managing Director
 Shri Premjit Singh
 Shri Rajesh Muni
 Dr. A K A Rath
 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. 0832-22438212

CORPORATE OFFICE

401, Raheja Centre
 214, Nariman Point
 Mumbai - 400 021.
 Tel.Nos. 30286100/132/133
 Fax : 22040747/22836392
 Email : igpetro@vsnl.com

EXECUTIVE OFFICE

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

BANKERS

Bank of America
 State Bank of India
 YES Bank Ltd.
 Barclays Bank Plc
 HDFC Bank Ltd.

FACTORY

T-2, MIDC Industrial Area
 Taloja - 410 208
 Dist. Raigad, Maharashtra
 Tel : 022-39289100/146
 Fax : 022-2741 0192

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 : 022-40430200
 Fax : 022-28475207
 E-Mail : info@bigshareonline.com

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Notice To Shareholders

NOTICE is hereby given that the 21st Annual General Meeting of the members of I G PETROCHEMICALS LIMITED will be held on Saturday, 21st August 2010 at 2.30 p.m. at Hotel Mandovi, D. B. Bandodkar 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 31st March 2010.
2. To appoint a Director in place of Mr. M M Dhanuka who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. J K Saboo who retires by rotation and being eligible offers himself for reappointment.
4. 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, (Registration No. 001083S) 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

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Dr. A K A Rathi who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956,

be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

RESOLVED THAT pursuant to Section 314 and any other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company, be and is hereby accorded to the holding and continuing to hold an office or place of profit under the Company by Mr. Umang Dhanuka, relative of Mr. Nikunj Dhanuka, Managing Director, who is promoted by the Board of Directors as "Deputy General Manager - Exports" on a monthly remuneration of Rs. 47,600/- per month w.e.f. 1st April 2010.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

RESOLVED THAT pursuant to Section 314 and any other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company, be and is hereby accorded to the holding and continuing to hold an office or place of profit under the Company by Mr. Mayank Dhanuka, relative of Mr. M M Dhanuka, Director, who is promoted by the Board of Directors as "Deputy General Manager - Imports" on a monthly remuneration of Rs. 47,600/- per month w.e.f. 1st April 2010.

By Order of the Board

Mumbai

R Chandrasekaran

Date : 20th May 2010

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 and Special Resolutions set out in item Nos. 5 to 7 is annexed hereto.
3. The register of members and share transfer books of the Company will be closed from 17th August, 2010 to 21st August, 2010 (both days inclusive).
4. Members are requested to immediately intimate change of address, if any, to the Company/Registrars & Transfer Agents/ Depository Participants quoting reference of the registered Folio number/Client ID number.
5. If you have shares registered in the same name or in the same order of names but in several Folios, please let us know so that we may consolidate them into one Folio.
6. You may avail the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company shall vest in the event of your death. Interested persons may write to the Company/Registrars for the prescribed form.
7. Non-resident members are requested to inform the Company/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.
8. Members/Proxies should fill in the attendance slip for attending the meeting.
9. Pursuant to the provisions of 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 1995-1996 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. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. The members holding shares in electronic form are, therefore, requested to submit the PAN to the depository participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
11. Appointment/Re-appointment of Directors : The details pertaining to the Appointment / Re-appointment of Directors 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

R Chandrasekaran

Date : 20th May 2010

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. 5

Dr. A K A Rathie was co-opted on the Board as an Additional Director on 28th July 2009. In accordance with the provisions of Section 260 of the Companies Act, 1956, his term of office expires on the date of the Annual General Meeting. Notice under section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- has been received proposing his candidature.

None of the Directors is interested in the resolution except Dr. A K A Rathie as a Director.

Item No. 6

Mr. Umang Dhanuka is a Commerce graduate. He was appointed as "Senior Executive" w.e.f. 1.10.2007 as approved by the Board in the meeting held on 23.10.2007 on a monthly remuneration of Rs. 9710/-. Due to his rich knowledge and vast experience in Exports and international marketing, it has been decided to promote him as "Deputy General Manager - Exports" w.e.f. 1st April 2010 on a monthly remuneration of Rs. 46,700/- as approved by the Board of Directors in their meeting held on 20th May 2010.

Mr. Umang Dhanuka is a relative of Mr. Nikunj Dhanuka, Managing Director and hence, is deemed to hold an office or place of profit under Section 314 of the Companies Act, 1956. Therefore approval of the members of the Company by Special Resolution is required. The Board of Directors recommend the shareholders to accord their consent to Mr. Umang Dhanuka for his continuing to hold office or place of profit in the Company.

Mr. Nikunj Dhanuka, being a relative, is deemed to be concerned or interested in the said resolution.

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

Item No. 7

Mr. Mayank Dhanuka is a Commerce graduate and has done an orientation course in Financial Management from US. He was appointed as "Senior Executive" w.e.f. 1.10.2007 as approved by the Board in the meeting held on 23.10.2007 on a monthly remuneration of Rs. 9710/-. Due to his rich Knowledge and vast experience in Imports and raw material procurement in local and international markets, it has been decided to promote him as "Deputy General Manager - Imports" w.e.f. 1st April 2010 on a monthly remuneration of Rs. 46,700/- as approved by the Board of Directors in their meeting held on 20th May 2010.

Mr. Mayank Dhanuka is a relative of Mr. M M Dhanuka, Director and hence, is deemed to hold an office or place of profit under Section 314 of the Companies Act, 1956. Therefore approval of the members of the Company by Special Resolution is required. The Board of Directors recommend the shareholders to accord their consent to Mr. Mayank Dhanuka for his continuing to hold office or place of profit in the Company.

Mr. M M Dhanuka, being a relative, is deemed to be concerned or interested in the said resolution.

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

By Order of the Board

Mumbai

Date : 20th May 2010

R Chandrasekaran

President (Finance) & Secretary

Registered Office

211, 2nd floor, Kamat Towers

EDC Complex, Patto Plaza

Panaji - 403 001, Goa.

Directors' Report

To

The Members

Your Directors hereby present the Twentyfirst Annual Report together with Audited Accounts of the Company for the year ended 31st March 2010 :

Financial Results

	2009-2010	2008-2009
	Rs. in lacs	
Gross Sales	57398.95	59474.75
Less : Excise Duty	3212.53	3825.74
Net Sales	54186.42	55649.01
Other Income	697.06	195.90
	54883.48	55844.91
Gross Profit	6106.88	3654.23
Less :		
Interest & Finance Charges	1451.32	2135.55
Depreciation/Amortisation	1364.59	1343.47
Profit/(Loss) before Taxation	3290.97	175.21
Taxation :		
Current Tax (MAT)	559.30	17.86
Fringe Benefit Tax	--	17.56
Tax provision for earlier years	--	7.11
Profit after Taxation	2731.67	132.68
Balance brought forwarded from previous year	12003.00	11870.32
Profit available for appropriation	14734.67	12003.00

Dividend

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

Management Discussion and Analysis

Operations and Performance Review

The overall performance of the Company during the year was satisfactory with a production of 97870 MT. at 84.29% as against 106471 MT. at 91.70% during the previous year 2008-2009. The production was lower due to stoppage of one of the plants on account of Catalyst change and a fire during the 3rd quarter of 2009. The gross sales value was Rs. 57398.95 lacs as against Rs. 59474.75 lacs in the previous

year. The Gross Profit was Rs. 6106.88 lacs as against Rs. 3654.23 lacs and Net Profit was higher at Rs. 2731.67 lacs as against Rs. 132.68 lacs during the previous year.

The Company has converted itself from 100% EOU into a domestic unit since 6th November 2008. As such the sale in the domestic market has increased since that period. Out of the total sales of 100315 MT. (106696 MT.), local sales was 64532 MT. (48093 MT.), deemed exports 17837 MT. (18479 MT.) and export sales was 17946 MT. (40124 MT.). The emphasis has therefore been on local markets which has resulted in better realizations. The balance quantity is sold to deemed exporters and overseas customers in view of the established contacts in the international markets all these years.

The Company has sold 15,06,240 units (17,31,000 units) of power to the Maharashtra State Electricity Board (MSEB) and generated revenue of Rs. 45.19 lacs (Rs. 51.93 lacs) during the year.

The Company received the Best Vendor Award for the year 2009-10 from Kansai Nerolac Paints Ltd. for its marketing efficiency.

Contribution to exchequer

The Company has contributed Rs. 5615.23 lacs to the Central and State exchequer by way of Excise Duty, Sales Tax (including Surcharge), Income Tax, Wealth Tax, Professional Tax and Customs Duty.

Opportunities and Future Outlook

The year 2008-2009 witnessed abnormal situation caused by the drastic fluctuations of crude oil price coupled with an economic upheaval globally. Due to the financial mess in US and other European Countries there was recession all over the globe and it affected the asian markets including India very badly. However the year 2009-2010 saw revival in the industry and business operations were normalized. The improved market environment provides an assurance to growth in industrial activities.

The Phthalic Anhydride (PA) industry is growing at the moment with rising demand. The end users of the products like PVC, paints, constructions, phthalate plasticizers are getting expanded and broadbased and are expected to grow at 10-12% cumulatively and the Alkyd resins, Unstaurated Polyester Resins (UPR), Dyes and Pigments, CPC and Speciality Chemicals segments and other related products are expected to grow at over 20%.

The Company after getting converted into a domestic unit during November 2008 is well placed to take advantage of

the growth opportunities in the domestic and international arena. The crude oil price is stable and is expected to remain so in the near future. As a result the Company's performance is expected to post a healthy operating scenario. The situation improved from the first quarter of 2009 and the demand has been increasing alongwith the price of the product.

Also the safeguards duty imposed by the Government, of 25% and 15% in two tranches from January to June 2009 and July to December 2009 respectively added to further improvements in product prices. The safeguards duty was upto 31.12.2009 and thereafter there has been a surge in imports and the prices of PA are steadily declining. However due to the increased demand for PA in the user industry, the increase in supply has been absorbed and hence the price of PA is expected to remain stable in the near future.

The Indian economy is expected to grow over 8% in the current year with continued thrust on infrastructure which would result in increased construction and other activities. As a result the related industries would also witness a stable growth prospects. The recessionary trend in the US and other European markets has been a cause of concern for the growth prospects of Indian economy. However analysts are of the view that both US and European Union will stabilize by 2010-2011 which will result in improved market conditions worldwide including India.

Risks and Concerns

Our country has been relatively insulated from the global recession without any significant impact on the growth of the industries in general and the petrochemical industry in particular. There are signs of recovery due to the stable crude oil prices. The PA industry continues to remain under pricing pressures and volatility, demand supply mismatch, government policies, exchange rate risk and other technical and environmental risks. The Board of Directors do a periodic assessment of the risks through a means of properly defined framework resulting in minimization of risks involved.

Risk Management

Exchange rate risk (Raw material procurement and sale of finished goods)

The Company has been converted into a domestic unit w.e.f. 6.11.2008. The Company procures 70% of the raw material requirement locally and the balance is imported. The finished product is sold locally to the extent of 80% out of which majority is sold on monthly contract basis based on the formula i.e. raw material cost plus profit. The balance is sold on spot price. The Company enjoys a dual

market advantage and exports to various countries to an extent of 20% of the total produce and gets natural hedge on the material imported.

Mitigation : As a business policy, the Company minimizes the exposure to foreign exchange risk by forward booking of dollars whenever it is necessary.

Interest rate risk

At present the Company has only Rupee term loan of Rs. 18.56 crores and Working Capital limits from Banks (including receivables factoring facilities) to the extent of Rs. 24.66 crores. Since there is no foreign currency loan involved there is no exchange rate risk. As the long term loan is very less the interest out flow is minimum and is serviced from current realisations.

Mitigation : The Company reviews the loan and working capital requirements position on a regular basis and alternative funding arrangements are being negotiated with banks to keep the interest cost at the minimum possible levels.

Product risk

As the Indian economy is growing and has recovered faster than the other global markets the overall demand position and the Company's product in particular is quite good and would continue to grow for some time with better price realization. Also the global markets now recovering the export market is expected to follow suit. However our exposure to the export market is minimal.

Mitigation : The Company takes advantage of the dual market policy and sells the product in those markets i.e. domestic, deemed exports or exports depending on the price realization to the maximum possible extent.

Operational risk

The Company has continuous process plants and are operated at optimal capacity through out the year bearing temporary shut downs for change of catalysts and routine maintenance jobs. The plants are subject to production and operational hazards viz. accidents and/or occurrence of fire, storage, electricity, insurance, toxic and corrosive nature of chemicals etc. There was a fire in the PA-II Plant during October 2009 due to which there was stoppage of production for some time.

Mitigation : The Companies Plants and other assets and stocks are adequately insured. The Company has the Fire policy, Loss of Profit Policy etc. As there was a fire in the Plant there was loss of production and damage to the machinery. Hence the Company requires coverage of the

Machinery Breakdown Policy for which enquiries are being done. The plants have adequate supply of electricity from State Grid / DG sets and maintenance of plants is done on day to day basis by trained technical personnel.

Economic and Geo Political risk

The political situation in the Country as regards the government policies viz. import duty, taxes etc. and the international situation will have an impact on the overall corporate growth and the PA industry in particular. Any change in Government policies will have its repercussions on the corporate sectors.

Mitigation : The Company keeps abreast with the domestic and international economic developments and works on the strategies favourable to the Company.

Internal Control System

The Company conducts its business with integrity and in compliance with the laws and regulations that govern the business. 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. Additionally the Directors and Senior management personnel are required to certify on an annual basis the adherence to the Code of Conduct adopted by the Company.

Human Resources Development / Industrial Relations

Your Company's employees have played a key role in contributing to the growth and maintenance of its status as one of the reputed companies in PA industry and emphasis has been laid on capability building and towards enhancing the effectiveness of the personnel. 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 285 as on 31st March 2010.

Corporate Social Responsibility

The Company considers the interests of the society by taking responsibility for the impact of the organizations activities on customers, employees, shareholders, communities and the environment in all aspects of its operations. The Company inherently believes that the Corporate Social Responsibility (CSR) should be an integral focus area for our organization

and thus honouring people, planet and profit.

The Company goes beyond the requirements of applicable environmental laws through :

- » Optimizing usage of Raw Material and other Chemicals
- » Conserving Power and Water
- » Adopting preventive measures to reduce waste and air emissions
- » Maximizing the recycling of waste
- » Ensuring a safe working environment
- » Employee education on environmental issues
- » Educating suppliers & buyers to become environmentally responsible

Aforestation and Rain Water Management : The manufacturing site at Taloja has good aforestation and green belts.

Safety of people in neighboring villages, plants, etc. : The Company acknowledges its responsibility towards Environment and complies with applicable Environmental legislation and statutory regulatory requirements.

ISO 14001 (2004) : Environment Management System certification acquired by the Company is the recognition of continuous and relentless Environmental initiative.

The Company encourages the employees to contribute to their communities in a manner of their choice.

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: (2008) and ISO 14001: (2004) Certifications

Your Company continued to be certified under ISO 9001: (2008) for quality management systems and ISO 14001 : (2004) for environment management systems by Beureau Veritas as per their prescribed standards.

Directors

The Board of Directors has appointed Dr. A K A Rath as Additional Director of the Company with effect from 28.7.2009. A proposal for his appointment as Non-Executive and Independent Director is being placed for the members for approval at the ensuing Annual General Meeting.

Shri M M Dhanuka and Shri J K Saboo retire by rotation and being eligible offer themselves for re-appointment.

Group

Pursuant to intimation from the Promoter(s) and in accordance with Regulation 3(1)(e) of the SEBI (Substantial Acquisition and Takeovers) Regulations, 1997 regarding identification of persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) are disclosed in this Annual report as separate disclosure.

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 2010 and of the profit of the Company for that year;
- 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.

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

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 and forms part of this Annual Report.

Auditors and Auditor's Report

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.

The auditors have qualified the financial statement for the year ended 31.03.2010 regarding depreciation on Plant & Machinery w.e.f. 1.4.2006 on the basis of useful life of the assets as determined by an approved valuer as against the rates specified in Schedule XIV of the Companies Act, 1956. The Company continues to provide depreciation on the same basis in order to reflect the proper Value of the Assets.

The same 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

M M Dhanuka

Date : 20th May, 2010

Chairman