



Innovating Today
Transforming Tomorrow



I G Petrochemicals Limited

22nd ANNUAL REPORT 2010-11

BOARD OF DIRECTORS

(As on 3rd August 2011)

Shri M M Dhanuka, Chairman
 Shri Nikunj Dhanuka, Managing Director
 Shri Premjit Singh
 Shri Rajesh Muni
 Dr. A K A Rathi
 Shri J K Saboo, Executive Director

CHIEF FINANCIAL OFFICER & 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

T-10, 3rd Floor, Jairam Complex
 Mala, Neugi Nagar
 Panaji, Goa – 403 001.
 Tel. No. 0832-2438212

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

The Lakshmi Vilas Bank Ltd.
 State Bank of India
 Barclays Bank Plc
 HDFC Bank Ltd.
 YES Bank Ltd.
 The Cosmos Co-Operative Bank Ltd.
 Andhra Bank

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 / 294
 Fax : 022-28475207
 E-Mail : info@bigshareonline.com

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Notice to Shareholders

NOTICE is hereby given that the 22nd Annual General Meeting of the members of IG PETROCHEMICALS LIMITED will be held on Saturday, 24th September, 2011 at 3.00 p.m. at Hotel Mandovi, D.B. Bandodkar Road, Panaji, Goa- 403 001, 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, 2011.
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. 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

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 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 re-appointment of Shri Nikunj Dhanuka as Managing Director of the Company for a further period of five (5) years w.e.f. 27th April, 2011, 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 : ₹ 300,000 per month.
- II. Personal pay : Equivalent to two months salary per year.
- III. Perquisites : In addition to the aforesaid Salary and Personal Pay, the Managing Director shall be entitled to the following perquisites and are classified in 3 categories :

Category A

(a) Housing

The expenditure by the Company for hiring the furnished accommodation shall not exceed ₹ 50,000/- (Rupees Fifty Thousand) per month.

In case no accommodation is provided by the Company, Mr. Nikunj Dhanuka will be entitled to the House Rent Allowance of ₹ 50,000/- per month.

(b) Medical reimbursement

As per the rules of the Company.

(c) Leave travel concession

For self and family once in a year in accordance with the rules of the Company.

(d) Leave

Earned leave with full pay and allowance as per the rules of the Company but not exceeding one month's leave for every 11 months of service. Encashment of leave at the end of the tenure as per the rules of the Company will be allowed.

(e) Club fees

Subject to a maximum of two clubs. No life membership fee will be paid by the Company.

(f) Insurance

Cost of insurance in respect of mediclaim policy for self and family and Personal accident insurance shall be borne 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 as per Company rules.

Minimum Remuneration

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

5. 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 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 re-appointment of Shri J K Saboo as Executive Director of the Company for a further period of three (3) years w.e.f. 1st April, 2011, 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 | : ₹ 175,000 per month. |
| II. Personal pay | : Equivalent to two months salary per year. |
| III. Perquisites | : In addition to the aforesaid Salary and Personal Pay, the Executive Director shall be entitled to the following perquisites and are classified in 3 categories : |

Category A

(a) Housing

The expenditure by the Company for hiring the furnished accommodation shall not exceed ₹ 25,000/- (Rupees Twenty Five Thousand) per month.

In case no accommodation is provided by the Company, Mr. J K Saboo will be entitled to the House Rent Allowance of ₹ 25,000/- per month.

(b) Medical reimbursement

As per the rules of the Company.

(c) Leave travel concession

For self and family once in a year in accordance with the rules of the Company.

(d) Leave

Earned leave with full pay and allowance as per the rules of the Company but not exceeding one month's leave for every 11 months of service. Encashment of leave at the end of the tenure as per the rules of the Company will be allowed.

(e) Club fees

Subject to a maximum of two clubs. No life membership fee will be paid by the Company.

(f) Insurance

Cost of insurance in respect of mediclaim policy for self and family and Personal accident insurance shall be borne 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 as per the Company rules.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as 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
Date : 3rd August 2011

By Order of the Board
R Chandrasekaran
Chief Financial Officer & Secretary

Registered Office

T-10, 3rd Floor, Jairam Complex,
Mala, Neugi Nagar,
Panaji, Goa – 403 001.

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 Resolutions set out in item Nos. 4 and 5 is annexed hereto.
3. The register of members and share transfer books of the Company will be closed from 20th September, 2011 to 24th September, 2011 (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. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to Registrar and Share Transfer Agent, for consolidation into a single 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, including the indian address and e-mail ID.
 - 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 bring their copy of the Annual Report and also the attendance slip duly filled in 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. Appointment of Directors: At the ensuing Annual General Meeting Shri Premjit Singh seeks re-appointment as Director. The details pertaining to his re-appointment 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.

Mumbai
Date : 3rd August 2011

Registered Office

T-10, 3rd Floor, Jairam Complex,
Mala, Neugi Nagar,
Panaji, Goa – 403 001.

By Order of the Board
R Chandrasekaran
Chief Financial Officer & Secretary

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

Shri Nikunj Dhanuka was re-appointed as the Managing Director of the Company w.e.f. 27th April, 2006 for a period of five (5) years. His term of office expired on 26th April, 2011. The Board of Directors have on 14th February, 2011 as recommended by the Remuneration Committee approved his re-appointment for a further period of five (5) years from 27.4.2011 to 26.4.2016 subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

Shri Nikunj Dhanuka (44), has vast experience in chemical industry, finance and banking and all major functions of the Company. He is well versed with the International Business functioning which helps in providing vital inputs to the Company.

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

None of the Directors, except Shri Nikunj Dhanuka and Shri M M Dhanuka as relative, is concerned or interested in the said resolution.

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. and 1.00 p.m. on all days except Saturdays, Sundays and holidays until the Annual General Meeting or any adjournment(s) thereof.

Item No. 5

Shri J K Saboo was re-appointed as the Executive Director of the Company w.e.f. 1st April, 2008 for a period of three (3) years. His term of office expired on 31st March, 2011. The Board of Directors have on 14th February, 2011 as recommended by the Remuneration Committee approved his re-appointment for a further period of three (3) years from 1.4.2011 to 31.3.2014 subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

Shri J K Saboo (59), has vast experience in chemical industry and the expertise in handling the day to day affairs at Plant Office at Taloja, Maharashtra.

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.

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. and 1.00 p.m. on all days except Saturdays, Sundays and holidays until the Annual General Meeting or any adjournment(s) thereof.

By Order of the Board

Mumbai

R Chandrasekaran

Date : 3rd August 2011

Chief Financial Officer & Secretary

Registered Office

T-10, 3rd Floor, Jairam Complex,
Mala, Neugi Nagar,
Panaji, Goa – 403 001.

Important communication – Support Green Initiative

Ministry of Corporate Affairs, New Delhi (“MCA”) has taken a **“Green Initiative”** in the Corporate Governance by permitting paperless compliances by companies vide its **Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011** and clarified that the service of documents by a Company can be made through electronic mode instead of sending the physical copy of the document(s) to its shareholders.

Keeping in view the underlying theme and the circulars issued by MCA, we propose to send henceforth all communications /documents including the Notice calling the Annual General Meeting, audited financial statements, directors’ report, auditors’ report etc. via electronic mode. In connection with the same, we request you to provide your latest/updated email address on which future communication/correspondence/documents can be send to you.

Shareholders holding shares in demat mode, are requested to register their e-mail id with the concerned Depository Participant. The shareholders holding shares in physical mode are requested to register their e-mail id with M/s. Bigshare Services Private Limited (Registrar and Share Transfer Agents of the Company) by sending a request letter duly signed by the first/sole shareholder.

We are sure you would appreciate the “Green Initiative” taken by MCA and your Company’s desire to participate in such initiatives.

Directors' Report

To

The Members

Your Directors hereby present the Twentysecond Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2011 :

Financial Results

	₹ in lacs	
	2010-2011	2009-2010
Gross Sales	68,088.29	57,398.95
Less : Excise Duty	4,958.77	3,212.53
Net Sales	63,129.52	54,186.42
Other Income	93.96	697.06
	63,223.48	54,883.48
Gross Profit	4,488.70	6,106.88
Less :		
Interest & Finance Charges	1,415.76	1,451.32
Depreciation/Amortisation	1,420.59	1,364.59
Profit/(Loss) before Taxation	1,652.35	3,290.97
Taxation :		
Current Tax (MAT)	329.32	559.30
Profit after Taxation	1,323.03	2,731.67
Balance brought forwarded from previous year	14,734.67	12,003.00
Profit available for appropriation	16,057.70	14,734.67

Dividend

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

Management Discussion and Analysis

Operations and Performance Review

The Company has achieved highest ever production during the year of 109147 MT. at 94% as against 97870 MT. at 84.29% during the previous year 2009-2010. This was despite planned stoppage of Plant during October 2010 for change of Catalyst of one of its Plants. The Net sales value was higher at ₹ 63,129.52 lacs as against ₹ 54,186.42 lacs in the previous year. The Profit before taxation was ₹ 1,652.35 lacs as against ₹ 3,290.97 lacs and Net Profit was ₹ 1,323.03 lacs as against ₹ 2,731.67 lacs during the previous year 2009-2010.

The PA market was on the rise for the first half of the year. However after withdrawal of the Safeguard duty from early January 2010 there was heavy dumping of PA in the Indian markets due to which the margins were severely affected especially in the second half of 2010-2011. The prices of raw material (Orthoxylene – OX) and PA generally move in tandem depending on the crude price volatility. However for the past 8 to 10 months it is observed that the OX price has rose very sharply due to short supply of the product in the international markets on account of shifting of product line into other Xylenes by the refineries. The local prices of OX are maintained at the import parity price. The corresponding price of PA has not risen in proportion to OX thereby causing tremendous pressure on margins.

After conversion of the Company into a domestic unit since November 2008 there has been a steady rise in the local sales. Out of the total sales of 107837 MT (101619 MT), local sales was 75236 MT (65836 MT), deemed exports 19446 MT (17837 MT) and export sales was 13155 MT (17946 MT). The emphasis has therefore been on local markets which has resulted in better realizations. The Company has the advantage of the user markets being in western India.

The Company has made arrangements of Working Capital facilities to the extent of ₹ 95.12 crores (Utilised) from various Banks for its working capital requirements.

Contribution to exchequer

The Company has contributed ₹ 7,730.63 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

India is one of the fastest growing economies in the world. The Indian economy is expected to grow between 7% to 8% in the current year with continued thrust on infrastructure which would result in increased activities in the construction and allied industries. As a result the user industries viz. paints, plasticizers, resins and UPR sectors are expected to grow reasonably well in the current year. The PA industry is expected to grow in tandem with the user industries.

Although the demand for PA is growing, price of the product has been a concern of late due to continuous rise in the raw material prices on account of heavy dumping of the product. We expect the raw material price to stabilize in coming months and margins to improve.

Expansion Plans

The Company has finalized its plans for expansion of capacity of Phthalic Anhydride (PA) by 50000 MT thereby increasing its installed capacity from 116000 MT to 166000 MT per annum at an estimated cost of ₹ 225 crores. The required funding arrangements has been made by way of Term Loans and External Commercial Borrowings (ECB) to the extent of ₹ 150 crores and balance ₹ 75 crores would be met through internal accruals. Post expansion the Company would be one of the lowest cost producers of PA in the world.

The management is also looking at certain forward integration projects which would help in de-risking the business of the Company. Also after the expansion the Company would be available with huge capacity which can be efficiently utilized captively for certain value added products.

Risks and Concerns

The business operations of the Company are susceptible to risks which are inherent to any petrochemical business as well as to those inherent to international operations. Apart from these, there is always an exposure to general commercial risks which accrue to any commercial organization. The PA industry in particular continues to remain under severe pricing pressures, high raw material costs, volatility in demand and supply, government policies, exchange rate risk, increase in dumping of PA into the country 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.

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, supported by standard operating procedures, policies and guidelines and self-assessment exercises. Considering the current Capital Expenditure program, the Company continuously reviews the documented approval policy besides the Capex budget being approved by the Audit Committee and the Board of Directors. In addition to external Audit, the internal audit is carried out by the external agency, covering areas like operations and expenditure approval mechanism and their report is reviewed by 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 sustained 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. During the year the Company celebrated the 40th National Safety Week at Taloja Plant organized by The National Safety Council for spreading the awareness about safety in plants. On the industrial front your Company had a cordial and harmonious relationship with its employees and Unions throughout the year. The total staff strength is 300 as on 31st March 2011.