IGPL

I G PETROCHEMICALS LIMITED

25th Annual Report 2013-14

INNOVATING
TODAY.
TRANSFORMING
TOMORROW.

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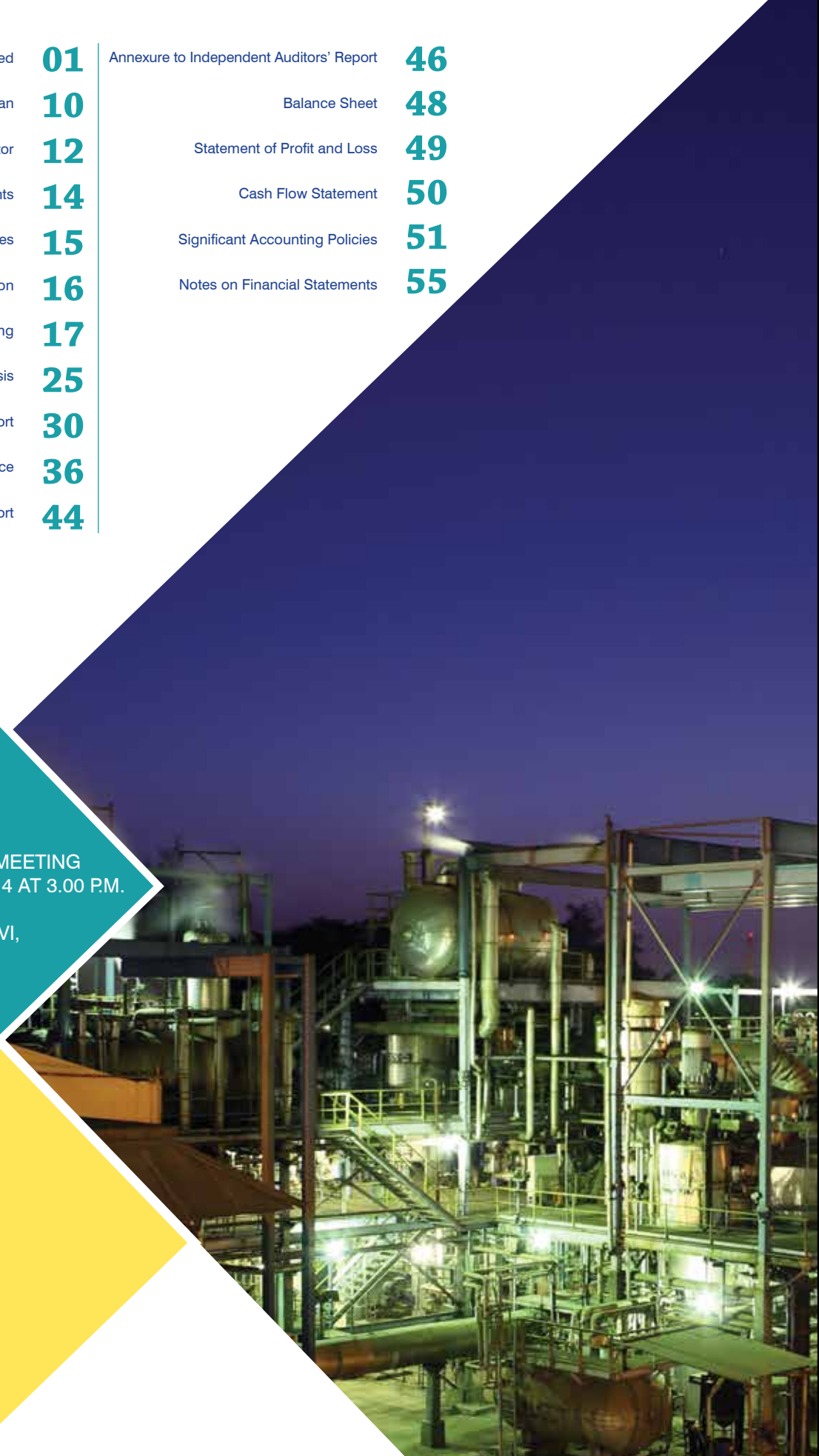


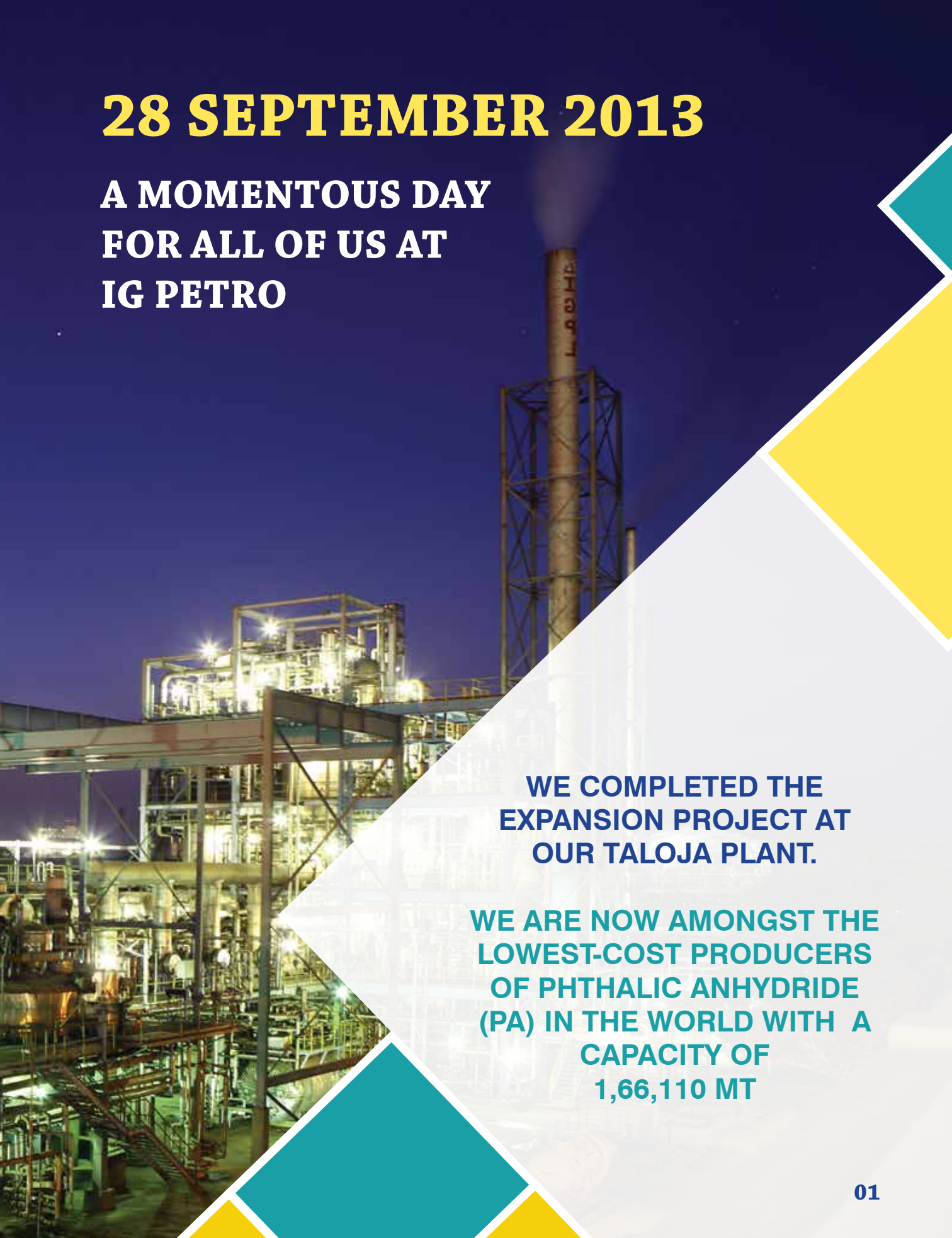
AGM

25TH ANNUAL GENERAL MEETING
SATURDAY 26TH JULY 2014 AT 3.00 P.M.

VENUE : HOTEL MANDOVI,
D.B. BANDODKAR ROAD,
PANAJI, GOA - 403 001.

28 SEPTEMBER 2013

A MOMENTOUS DAY FOR ALL OF US AT IG PETRO



WE COMPLETED THE EXPANSION PROJECT AT OUR TALOJA PLANT.

WE ARE NOW AMONGST THE LOWEST-COST PRODUCERS OF PHTHALIC ANHYDRIDE (PA) IN THE WORLD WITH A CAPACITY OF 1,66,110 MT

Business is all about competitive advantage. Every business needs a distinct competitive advantage to sustain its growth. Competitive Advantage accrues from either Product Differentiation or Cost Leadership. To a large extent, PA is a commodity business, with very minimal scope for any differentiation. Cost Leadership is the only Competitive Advantage in the PA business.

At IG Petrochemicals, we are today one of the
LOWEST COST PRODUCERS AND ONE OF THE
LARGEST PRODUCERS OF PA IN THE WORLD

In addition to the cost advantages, we also have location advantage, being close to the largest port in the country – Mumbai, which has propelled us into leadership position in the industry.

At the heart of this leadership, is our unmatchable and unquestionable leverage of large economies – of size, scale and scope, which we have developed by

INNOVATING TODAY. TRANSFORMING TOMORROW.

AN OVERVIEW

The Product and its Uses

Phthalic Anhydride (PA) is a versatile industrial chemical that has a wide variety of uses for making consumer goods as well as industrial products. Some of the more visible and recognised consumer products made with PA include plastic cards, food containers, shoes and plastic furniture. On the industrial side, PA is the key component for manufacture of paints as a solvent for protective coating.

PA is a white crystalline compound and an intermediate of organic chemistry. PA is primarily used as a chemical intermediate for plasticiser for making Poly Vinyl Chloride, which is the base material for making a variety of consumer products ranging from packaging films, boxes, containers, bags, pipes, home and personal care products, medical and surgical equipments and various industrial products. PA is the second most important raw material in the manufacture of paints and coatings as it is an intermediate for Alkyd Resin, the vital component in paints. A more recent application of PA has been in the manufacture of Unsaturated Polyester Resins (UPR). UPR is used extensively as thermosets for making fiberglass reinforced plastics, have diverse applications in construction, marine and transportation.

Pioneers in PA

IG Petrochemicals Ltd has been a pioneer in the PA business. The Company is promoted by the H P Dhanuka Group having over four decades of experience in the PA industry.

The Company completed two decades of uninterrupted production last year. It was started as a 100 per cent Export Oriented Unit (EOU) with its production facility at Taloja, near Mumbai in Maharashtra. The Company commenced production in 1992-93. The plant was built with a technical collaboration with Lurgi GmbH, a renowned German engineering company having over a hundred years of experience in constructing plants to exacting international standards and systems.

INNOVATING INSIDE

Innovation does not always mean new products. Innovation means making changes in something that is established, especially by introducing new methods, processes or ideas.

In the PA business, competitive advantages wrest in Innovating Inside – through process re-engineering, improving operational efficiencies and optimising capacity utilisation. In the absence of any major product differentiation, COST becomes the key driver of growth and expansion.

At IG Petrochemicals, we are leveraging our consolidating strengths and building capacities to emerge as the LOWEST COST producers of PA in the world.

Consolidating Strengths

IG Petrochemicals has a clear and distinct strategic advantage over its competitors due to its many strengths. These are :

Location

The manufacturing plant of the Company is located at Taloja, 50 kms. from Mumbai-India's premier port and financial capital. The Taloja location of the plant gives the Company unmatchable benefits in procurement as well as being in close proximity to end-user markets.

On the procurement side, the key raw material required for PA is Orthoxylene (OX), a basic petrochemical and a co-product of Paraxylene. The largest producer of OX in India is located at Jamnagar in the neighbouring state of Gujarat. The Company has a tie-up with this producer for almost 70 per cent of its OX requirement. The location of the plant at Taloja results in critical advantages to the Company in terms of cost of transportation of raw material, not to mention savings in time.

More than 70 per cent of all PA produced in the country is consumed by end-user in western India, which has one of the highest concentration of large, small and medium-sized units manufacturing a range of products that use PA as their key raw material. These units include plastic utensils, paints, tyres, PVC pipes, pharmaceuticals, flexi-glasses, toys, shoes, industrial textiles, backpacks, and many more. 90 per cent of all PA produced by the Company is sold locally. To the end-users, having a regular supply base at Taloja in close proximity to their units is an unbeatable advantage, as they get an assured supply of their raw materials with minimal cost of transport and shortest time lag.

Building Capacities

Building a new PA plant is a capital intensive proposition. Besides, being a commodity business, the returns are low. High investments and low returns create high entry barriers for new entrants. For the existing players, the equation is decided by VOLUMES. The higher the production capacity, the lower the cost of production, the higher the market domination.

Keeping this simple but critical strategic goal, we embarked upon expansion of our existing capacities of PA in 2011 with a brown-field expansion. The third plant was completed in September 2013, adding another 50,000 metric tonnes to our total capacity, increasing it to a staggering 1,66,110 metric tonnes per year.

With this additional capacity, we will be able to further leverage our already formidable economies of size, scale and scope in all aspects of production by integrating procurement, supply chain, operational costs as well as overheads.

We have consolidated our strengths, integrated our economies and combined our innovation to emerge as one of the LARGEST PRODUCERS OF PA at LOWEST COST.

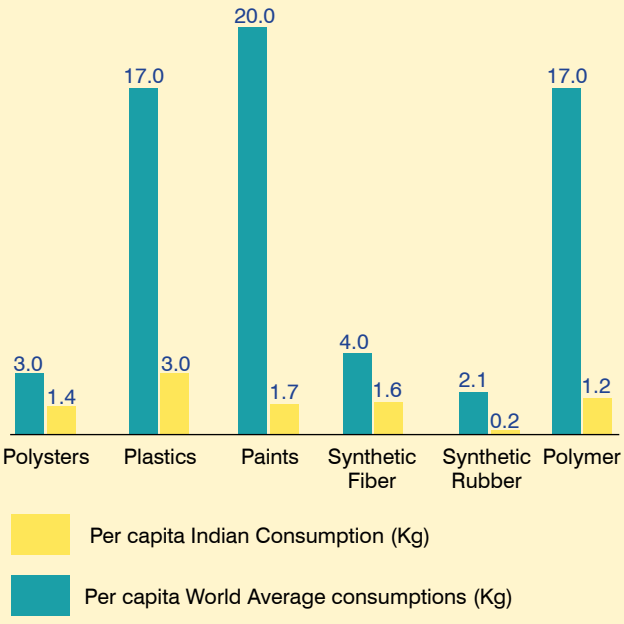
An unbeatable advantage!

PROMISING OUTLOOK

There is an immense potential for growth in the PA market. Increase in demand from segments viz. plasticizers, resins and Unsaturated Polyester Resins (UPR), as well as increasing demand from alkyd resins, pigments and dyes are expected to drive the PA business to higher gains in terms of both volume and value.

According to the latest report available, the global consumption of PA is expected to grow at an annual rate of 3 per cent from 2013-2019 and reach USD 9.58 billon in 2019.

In comparison to world consumption of PA, India is still way behind in per capita terms. In terms of end-usage of PA, India is much below the global average :



Products made with PA are superior in many respects. Foremost, they are light-weight and therefore, have immense benefits in handling and transportation. Secondly, products made with PA are much more durable and hence, the replacement costs are almost negligible.

New Applications of PA

Driven by rapid changes in R&D and scientific advances, the end-use of PA is multiplying at a faster rate than ever before. New applications and new processes are opening up new usages for PA in infrastructure, transportation, interior and home decor, sporting equipments and many others.

In many industries Fiber-glass reinforced materials produced with Unsaturated Polyester Resins (UPR) are increasingly being used in a variety of applications due to unique advantage of light weight and strength. This will propel the growth of PA industry which is used in manufacture of UPR.