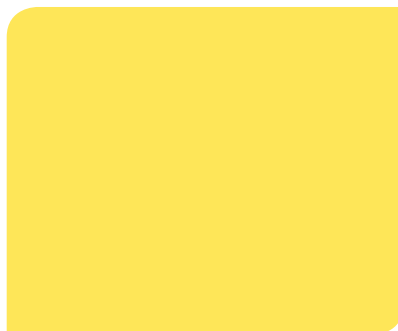
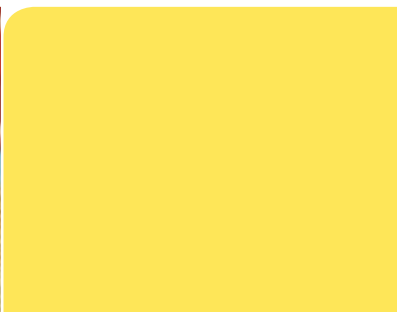


IG PETROCHEMICALS LIMITED

26th Annual Report 2014-15



INNOVATING TODAY.
TRANSFORMING TOMORROW.



About
IG Petrochemicals Limited

02

Financial
Highlights

12

Notice of Annual
General Meeting

17

Report on Corporate
Governance

56

Balance
Sheet

72

Significant
Accounting Policies

75

Chairman's Communique
to Shareholders

08

Corporate Social
Initiatives

14

Management Discussion
and Analysis

32

Independent Auditor's
Report

68

Statement of Profit
and Loss

73

Notes on Financial
Statements

79

Managing Director's
Message

10

Corporate
Information

16

Directors'
Report

36

Annexure to Independent
Auditors' Report

70

Cash Flow
Statement

74

Businesses are always confronted with challenges in their quest to manage, sustain and continue growth.

The last few years have seen major challenges in the form of slowdowns and strife, sluggishness and struggles, crisis and crunches – all of which have created significant roadblocks for growth.

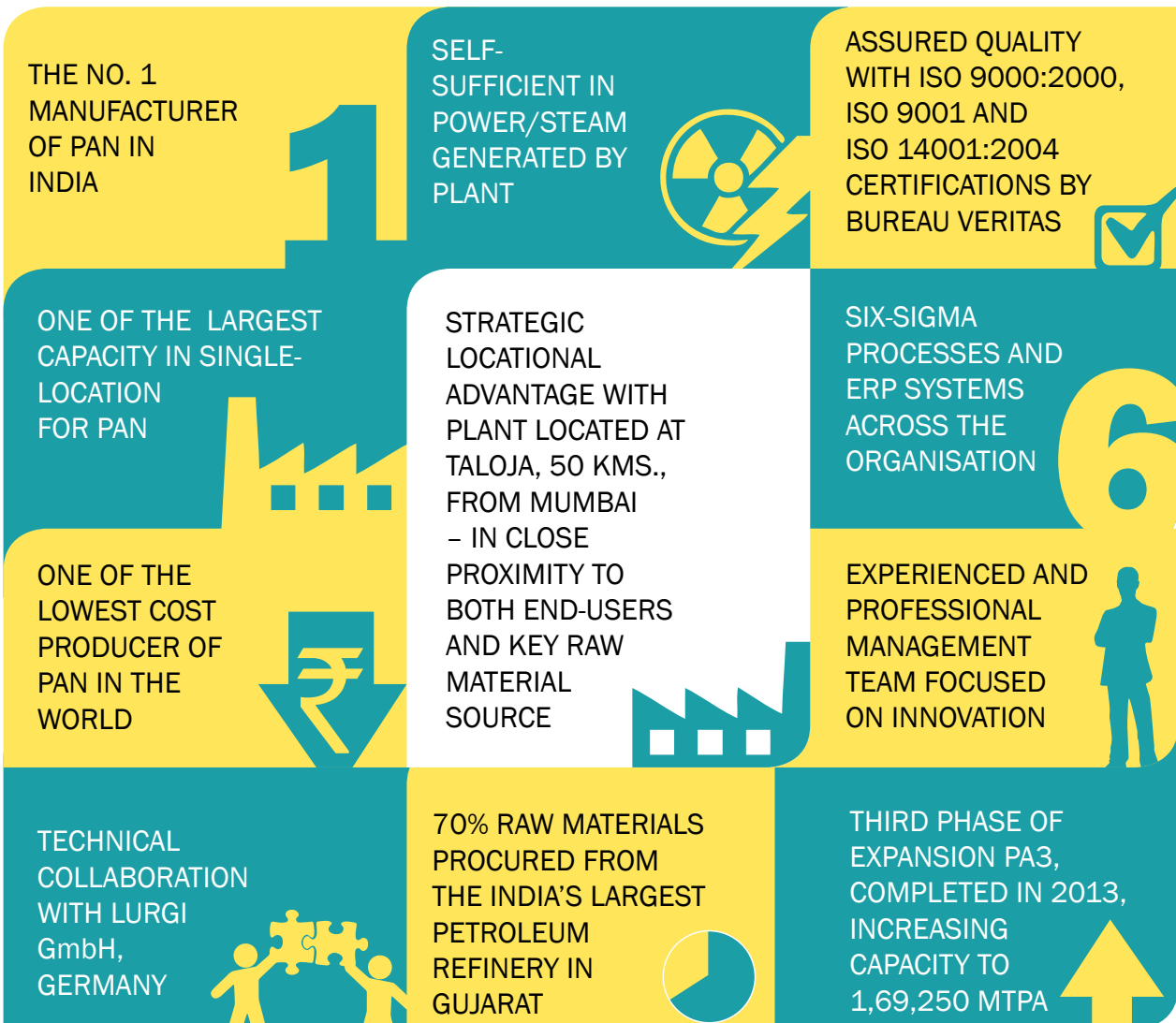
And yet, at IG Petrochemicals Ltd., we have overcome challenges of adverse market conditions, stuttering global economy and dramatic fall in oil prices to continue accelerating on our trajectory of growth.

AT IG PETROCHEMICAL LIMITED, GROWTH IS WHAT DEFINES,
DETERMINES AND DIFFERENTIATES US.

GROWTH THAT IS DRIVEN AND
DELIVERED BY A CONSTANT FOCUS
AND A STEADY COMMITMENT OF
INNOVATING TODAY
TRANSFORMING TOMORROW

ABOUT US

IG PETROCHEMICALS Ltd. is the flagship company of the Dhanuka Group, renowned in the petrochemicals industry for over four decades. The Company was incorporated in 1988 and commenced production in 1992 and is today a leader in Phthalic Anhydride (PAN) with strong recognition, excellent plant facilities of international standards.





1988

- Incorporated IGPL as 100% EOU
- Technical collaboration with Lurgi GmbH of Germany

THE JOURNEY SO FAR

2014

Brownfield expansion of 53,000 MTPA (PA-3)

Total capacity of
1,69,250 MTA

1992-93

Started production with initial capacity of 45,000 MTPA (PA1)

2008-09

Converted from EOU to DTA

1995 - 96

De-bottlenecking of capacity 21,250 MTPA

2000

Brownfield expansion of 50,000 MTPA (PA2)



BUSINESS OVERVIEW

OUR BUSINESS REVOLVES AROUND PHTHALIC ANHYDRIDE (PAN) - HAVING A WIDE RANGE OF APPLICATIONS.

PAN is a principal commercial form of phthalic acid discovered in 1836. It was the first anhydride of a dicarboxylic acid to be used commercially, and is comparable in its importance to acetic acid. The most important reaction of PAN is with alcohols or diols to give esters or polyesters.

PAN is a versatile intermediate in organic chemistry. PAN is a precursor to a variety of reagents useful in organic synthesis. A colourless solid, PAN is an important industrial chemical, especially for the large-scale production of plasticizers for plastics.

The primary use of PAN is as a chemical intermediate in the production of plastics from poly vinyl chloride (PVC). PVC is the base material used for making a range of consumer care, personal care, home care as well as industrial products like boxes, pipes, containers, packaging films, medical and surgical equipments.

PAN is the second most important raw material used in the manufacture of paints and coatings as an intermediate for Alkyd Resin. Recently, PAN has found application in the manufacture of Unsaturated Polyester Resins (UPR),

which is used extensively as thermoset for making fiberglass reinforced plastics that are increasingly being used in construction, marine and transportation industries.

The applications for PAN are increasing rapidly, driven by new research and innovation. In the last few years, PAN has found application in Copper Pthalocyanine (CPC) used for making inks, photovoltaic cells. PAN is also being innovatively used for making Plastic Currency, Paper Boards, Leisure Boats and Sail of Windmills.

KEY END USER INDUSTRIES



CABLES



PIPES



SHOES



PAINTS



PRINTING INKS



PLASTIC PRODUCTS

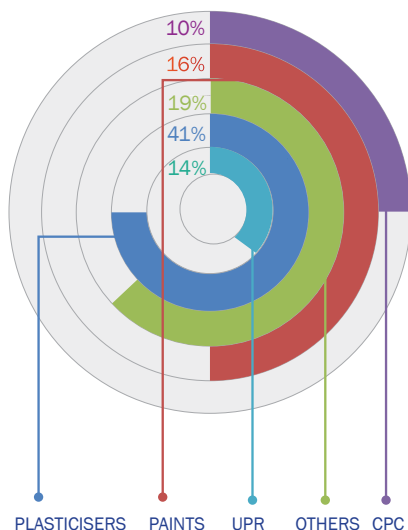


TEXTILE DYES



PACKAGING MATERIALS

TOP USAGE BY APPLICATION



IGPL OPERATES IT'S PLANT BASED ON THE PROCESSES OF THE LICENSOR, M/S WACKER CHEMIE GMBH, GERMANY. THE PROCESS IS WACKER'S VON-HEYDEN'S LOW ENERGY PROCESS AND THE PLANT HAS BEEN ENGINEERED BY M/S LURGI GmbH, GERMANY.

OX - THE SINGLE RAW MATERIAL

Orthoxylene (OX) is the single raw material required for the manufacture of PAN. It is the third derivative of crude oil.

OX has an edge over Naphthalene – the alternate material for manufacturing PAN as it is cheaper and has a better yield by weight. OX also had lesser number of by-products and a reduced impact on the environment.

ADVANTAGE IG PETROCHEMICALS

IG Petrochemicals Limited is the largest manufacturers of PAN in India, and one of the largest manufacturer of PAN at a single location in the world. PAN is highly commoditised businesses, with value being added only by the end-users. Therefore, maintaining GROWTH in such a commoditised business is intrinsically related to the competitive advantages.

IG Petrochemicals enjoys key and distinct competitive advantages over its competitors :

MANUFACTURING SCALE AND SIZE

All the three plants manufacturing PAN are located on a single-location at MIDC, Taloja in the Raigad district of Maharashtra. This ensure that economies of size, scale and scope are readily and easily available to the Company, and is a key factor in sustaining its next major advantage – lowest cost.

LOWEST COST PRODUCER

Adding to the huge cost benefits derived from economies of scale, the Company has consistently re-engineered its processes through value-engineering and better recovery. The Company also generates power at its site. These advantages have made IG Petrochemicals one of the lowest cost producer of PAN in the world.

STRATEGIC PLANT LOCATION

Taloja is a very strategic location at just 50 kms. from Mumbai, giving the Company the triple advantage in terms of close proximity to port for exports, in the vicinity of the Chemical Belt in western India where a majority of end-users are located, and close to Gujarat from where 70 per cent of Orthoxylene, the single raw material required for manufacture of PAN is sourced.

BETTER RECOVERING PROCESSES

At the manufacturing plant, the steam generated from the process is utilised efficiently, reducing oil consumption significantly, and resulting in lower cost. Moreover, the recovery of by-products from the waste stream is sold in the open market, creating better realisations.

- Situated at Taloja, Maharashtra in Western India.
- 70% of the domestic sales is in Western region.
- Near JNPT & Mumbai Port an advantage point for the product market.
- Major supplier situated in Western region (Jamnagar, Gujarat) thus reduced inward logistic costs.
- Better Inventory management and freight cost savings.
- Reduction in lead time for both sales and purchase in the Domestic and International Markets.

INNOVATING TODAY. TRANSFORMING TOMORROW.

AT IG PETROCHEMICALS LIMITED, WE HAVE DELIVERED GROWTH – CONSISTENTLY AND CONTINUOUSLY, IN SPITE OF CHALLENGES...AND WE ARE CONFIDENT TO SUSTAIN OUR GROWTH MOMENTUM WITH A CONSTANT FOCUS AND A STEADY COMMITMENT OF INNOVATING TODAY. TRANSFORMING TOMORROW.

87%

OUR SALES
HAS SEEN A
GROWTH OF
87 PER CENT
ON A CAGR
BASIS FROM
2010-11 TO
2014-15.

From capacity utilisation to production, from sales revenues to profitability, we have been resolute and resilient. In the last five (5) years, we have demonstrated our commitment to and focus on growth, with each succeeding year surpassing the growth achieved in the preceding year.

At the heart of our GROWTH has been our regular ramping up of our manufacturing capacities. From 45,000 MTPA in 1992-93, our capacity has witnessed a GROWTH of 276 per cent, touching 169,250 MTPA in 2013-14. The latest expansion of PA3 in 2013 augmented our GROWTH by 53,000 MTPA in terms of our PAN capacity.

In line with the pace of GROWTH in our manufacturing, we have mirrored the same trajectory of Growth in terms of our financial performance.

Our Sales has seen a GROWTH of 87 per cent on a CAGR basis from 2010-11 to 2014-15.

Similarly, our EBIDTA has grown by 93 per cent during the same period.

CONTINUING ON THE GROWTH TRAJECTORY

While we have demonstrated GROWTH consistently in the past, it is the promising prospect of future that convinces us that we will be able to accelerate growth in both the near and medium terms.

HERE IS WHY :

STRONG DOMESTIC DEMAND

The domestic demand in India is expected to pick up significantly on the back of a resurging economy. The year 2014-15 saw the Indian economy emerge as the fastest growing economy in the world, driven by favourable policies and a stable government at the centre. There are several factors that are in place for a sustained long-term growth in the country : key sectors like banking, insurance, infrastructure and defence are all rebounding through structural reforms; key macro triggers like inflation, FDI and commodity prices are benign; manufacturing is being boosted under the Make In India initiative of the government.

These factors all indicate to a higher demand from the entire spectrum of end-users of PAN. In fact, almost all the end-users of PAN have invested in increasing their capacity in expectation of the demand surge in the next few years.

STABLE OIL PRICES

All petrochemicals businesses are highly susceptible and sensitive to prices of crude oil. During the year 2014-15, there was a marked drop in the price of crude oil, particularly during the later half of the year, when the crude oil prices fell to sub-US\$ 50 per barrel in the month of January 2015. This was caused on account of higher inventory build-up, lowering consumption due to shale and natural gas, as well as due to OPEC's decision not to cut down production. For all petrochemical companies across the global, this drop drastically affected sales – as buyers put off their purchases in anticipation of a further drop, creating inventory pile-up. Further, due to falling prices, margins came under severe pressure.

However, crude oil prices have moved northwards since, and are today stabilised around US\$ 55-65 levels. As crude oil prices recovered, end-user demand picked up as most units did not have sufficient raw materials.

Further, as prices firmed, end-users also started building up their inventories as they did not want to risk production stoppage. Crude oil price is expected to remain stable during the year 2015-16, and when crude oil prices are stable, petrochemical companies can focus on increasing their production.

**AS WE GO AHEAD, WE
ARE CONFIDENT THAT THE
TRAJECTORY OF GROWTH
AT IG PETROCHEMICALS
WILL CONTINUE TO
ACCELERATE.**

CHAIRMAN'S COMMUNIQUE TO SHAREHOLDERS



OUR NET REVENUE FROM OPERATIONS DECREASED MARGINALLY TO ₹ 1,188 CRORES FROM ₹ 1,204 CRORES IN THE PREVIOUS YEAR.

OUR CASH PROFIT AFTER TAX INCREASED TO ₹ 46 CRORES FOR THE YEAR, COMPARED TO ₹ 21.16 CRORES FOR THE PREVIOUS YEAR.