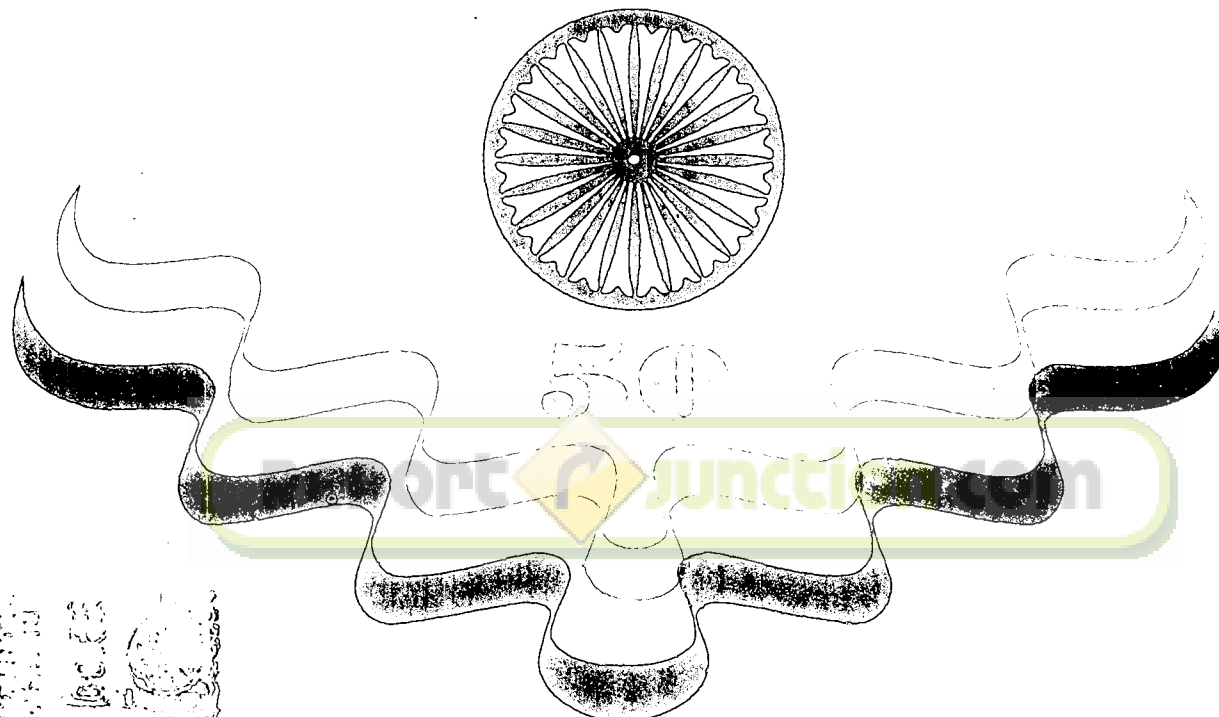


28TH ANNUAL REPORT 1996-97

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	NA
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



INDIAN PETROCHEMICALS CORPORATION LIMITED

BOARD OF DIRECTORS

Shri K. G. Ramanathan

Chairman-cum-Managing Director

Shri N. Chandar

Director (Finance)

Shri Chinmay Bhattacharya

Director (Marketing)

Shri S. K. Anand

Director (Operations)

Dr. C. M. Lamba

Director (Personnel) : w.e.f. 28-11-1996

Shri S. K. Sood

Director

Shri Vinay Bansal : Upto 7-7-1997

Director

Shri A. Parthasarthy Naidu

Company Secretary

REGISTERED OFFICE

P. O. Petrochemicals

Dist. Vadodara 391 346

Gujarat.

REGISTRARS & SHARE TRANSFER AGENTS

M/s MCS Limited

Neelam Apartment

88, Sampatrao Colony

Behind Federation Building

Alkapuri, Vadodara 390 007

BANKERS

State Bank of India

Bank of India

Bank of Baroda

State Bank of Saurashtra

HDFC Bank

Bank of America

Citibank N. A.

American Express Bank

ANZ Grindlays Bank

AUDITORS

M/s B. K. Khare & Company

Chartered Accountants

706/708, Sharda Chambers

New Marine Lines

Mumbai 400 020

BRANCH AUDITORS

M/s Chhotalal H. Shah & Company

Chartered Accountants

Gold Mohar, 1st floor

Shamaldas Gandhi Marg

Mumbai 400 006

M/s P. K. Chopra & Company

Chartered Accountants

'N' Block, Bombay Life Bldg.

Above Post Office

Connaught Circus

New Delhi 110 001

M/s Ganesh & Gopal

Chartered Accountants

No. 14, Venkateswara Bldg.

R. No. 34

Dr. DVG Road, Basvanagudi

Bangalore 560 014

M/s Ghosh & Pande

Chartered Accountants

B-210/2, Bagree Market

71, B.R.B. Basu Road

Calcutta 700 001

NOTICE

NOTICE is hereby given that the Twenty-Eighth Annual General Meeting of the Shareholders of Indian Petrochemicals Corporation Limited will be held at 2.00 p.m. on Friday, the 26th September, 1997 at the Mahatma Gandhi Nagar Gruh, near Jubilee Baug, Vadodara 390 001, to transact the following business:

Ordinary Business

- 1 To receive, consider and adopt the Directors' Report, Profit and Loss Account for the year ended 31st March, 1997, Balance-Sheet as at that date and the Auditors' Report thereon.
- 2 To declare dividend on equity shares.
- 3 To appoint a Director in place of Shri C. Bhattacharya, Director (Marketing), who retires by rotation and being eligible, offers himself for re-appointment.

Special Business

To consider and, if thought fit, to pass with or without modification, the following Resolutions:-

4 As an Ordinary Resolution

"RESOLVED THAT Shri S. K. Sood be and is hereby appointed as a Director of the Company."

5 As an Ordinary Resolution

"RESOLVED THAT Dr. C. M. Lamba, Director (Personnel), be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6 As a Special Resolution

"RESOLVED THAT, pursuant to the provisions of Section 81 of the Companies Act, 1956 and other applicable provisions, if any, and subject to such consent / approvals/sanctions as may be necessary from authorities, for the time being responsible for regulating raising of funds from Capital Market in India or abroad, and subject to such terms and conditions, modifications as may be prescribed by such authorities, the Board of Directors (hereinafter referred to as 'the Board') be and is hereby authorised to accept, to make further issue of securities resulting in raising of additional capital upto Rs. 1,250 crores (Rupees one thousand two hundred fifty crores only) by way of offer to public through prospectus and/or offer to shareholders on rights basis, equity shares, convertible or partly convertible debentures, bonds in such denomination, in such manner and on such terms and conditions as to premium, conversion, coupon rate, redemption, security, detachable warrants etc. as the Board may decide and/or by way of Global Depository Receipts(GDRs)/Foreign Currency Convertible Bonds, in such denomination to persons other than shareholders of the Company, in such manner and on such terms and conditions as to premium, conversion and options thereof, coupon rate, redemption, security, detachable warrants etc. as the Board may decide."

"RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing Resolution, the Board be and is hereby authorised, inter-alia, from time to time, to settle and finalize the denomination, premium, coupon rate, security, redemption and other terms of issue and form of Prospectus/Letter of

Offer/Offer Document/Application Form(s) or any other documents containing such terms and conditions as the Board may decide in respect of the Convertible Debentures/ Equity Shares/GDRs/ Foreign Currency Convertible Bonds and to list the same at Stock Exchanges in India/abroad, to appoint Consultants, Advisors, Managers, Underwriters, Registrars, Bankers and/or Brokers to the Issue and pay their fees, remuneration, charges and/or brokerage as may be lawful for the purpose and to give such other directions and/or instructions as they may, from time to time, think fit or proper and to execute all such documents, papers and writings as may be necessary and to take all such actions and to do all such acts, deeds, matters or things whatsoever including directions for settling any questions, doubts or difficulties that may arise in regard to or in relation to the aforesaid offer and/or the issue and allotment of the said Equity Shares, Rights-cum-Public Convertible Debentures/ Bonds, GDRs, Foreign Currency Convertible Bonds as authorised by the Board for the purpose of any Committee appointed by the Board in the matter in its absolute discretion may consider necessary, expedient, usual or proper in or about the above issues."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred, to any Committee of Directors or Managing Director or any Whole-time Director or Directors or any other Officer or Officers of the Company to give effect to the aforesaid Resolution."

7 As an Ordinary Resolution

"RESOLVED THAT in supersession of Resolution passed at 24th Annual General Meeting of the Company held on 28.9.1993 consent of the Company be and is hereby granted in terms of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) to the Board of Directors (hereinafter referred to as 'the Board') to mortgage and/or charge in addition to the mortgages/charges created/to be created by the Company in such form and manner and with such ranking and at such time and on such terms as the Board may determine on all or any of the moveable and/or immoveable properties of the Company both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default in favour of the Lender(s), Agent(s) and Trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) in foreign currency and/or rupee currency and Securities comprising Fully/Partly Convertible Debentures/ Bonds and/or Non Convertible Debentures/Bonds with or without detachable or non-detachable Warrants and/or secured premium notes and/or floating rates by the Company from time to time subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956 as amended from time to time together with interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s)

/ Trustee(s), premium (if any) on redemption, all other costs, charges and expenses including any increase as a result of devaluation / revaluation / fluctuation in the rates of exchange and all other monies payable by the Company and the Lender(s) / Agent(s) and Trustee(s) in respect of the said loans / borrowings / debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s) / Agent(s) / Trustee(s)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorised to finalise, settle and execute such documents/ deeds/writings/papers/agreements as may be required and do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

8 As an Ordinary Resolution

"RESOLVED THAT in supersession of Resolution passed at the 24th Annual General Meeting of the Company held on 28.9.1993 and pursuant to the provisions of Section 293 (1) (d) of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors borrowing any sum or sums of money from time to time from any one or more of the Company's bankers and/or from any one or more persons, firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether moveable or stock-in-trade (including raw materials, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertakings of the Company. Notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose but, so however, that the total amount up to which the monies may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 2,500 crores (Rupees two thousand five hundred crores only) for Rupee borrowings and US Dollars 1,250 Million (US Dollars one thousand two hundred fifty million only) for foreign currency borrowings exclusive of interest and the Directors are hereby further authorised to execute such deeds of debentures and debenture trust deeds of mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings containing such conditions and covenants as they may think fit."

9 As an Ordinary Resolution

"RESOLVED THAT, pursuant to joint venture agreement signed by the Company with Vinmar Petrochemicals Limited of the Vinmar Group, USA and the provisions of Section 372 and any other applicable provisions, if any, of the Companies

Act, 1956 and approval of the Central Government, where necessary, consent of the shareholders be and is hereby given to the Board of Directors for making an investment upto a limit of Rs. 65 crores in the equity share capital of "Indian Petrovin Limited" a Company incorporated in the State of Gujarat for establishing a plant for the manufacture of methylmethacrylate (MMA) / polymethylmethacrylate (PMMA) adjacent to Company's acrylonitrile plant at Gandhar Complex."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this Resolution."

10 As an Ordinary Resolution

"RESOLVED THAT, Pursuant to the provisions contained in Section 372 and any other applicable provisions, if any, of the Companies Act, 1956 and approval of the Central Government, where necessary, consent of the shareholders be and is hereby given to the Board of Directors for making an investment upto a limit of Rs. 65 crores in the equity share capital of the joint venture company proposed to be established under the name "Gujarat Acrylics Limited" or such other name as may be approved by the Registrar of Companies for setting up an acrylic fibre plant in the State of Gujarat."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this Resolution."

11 As an Ordinary Resolution

"RESOLVED THAT, pursuant to the provisions contained in Section 372 and any other applicable provisions, if any, of the Companies Act, 1956 and approval of the Central Government, where necessary, consent of the shareholders be and is hereby given to the Board of Directors for making an investment upto a limit of Rs. 50 crores in the equity share capital of GSL (India) Limited as a strategic alliance partner in Spinning Mill for Acrylic and Blended Yarns."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this Resolution."

12 As a Special Resolution

"RESOLVED THAT, pursuant to the provisions contained in Section 370 of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act and subject to all such approvals as may be necessary, consent of the shareholders be and is hereby granted to the Board of Directors of the Company to make any loan or loans to any body or bodies corporate and/or give guarantees and/or provide security from time to time in connection with any loans made to any other person by, or by any other person to, any body corporate within and/or in excess of the limits prescribed by the Central Government in this regard, provided

that giving of such loans, guarantees, or providing of security is in the opinion of the Board made only for furthering the business interest of the Corporation."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things, as may be deemed expedient and necessary to give effect to this Resolution."

13 As a Special Resolution

"RESOLVED THAT, subject to all applicable provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other approvals, permissions and sanctions as may be prescribed or imposed while granting such approvals, permissions, and sanctions, which may be agreed to by the Board of Directors of the Company, consent of the shareholders be and is hereby accorded to the Board to acquire / purchase any of its own fully paid equity shares on such terms and conditions and upto such limits as may be prescribed by the law from time to time; provided that acquisition / purchase of such fully paid equity shares of the Company, be not construed as reduction of Equity Share Capital which is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956 for the time being in force."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things, as may be deemed expedient and necessary to give effect to this Resolution."

14 As a Special Resolution

"RESOLVED THAT, pursuant to Section 163 and other applicable provisions of the Companies Act, 1956, the Register of Members, Index of Members and the Annual Returns prepared under Section 159 and 160 of the Act be kept at the office of the Registrars and Share Transfer Agents of the Company, namely

MCS Limited

Neelam Apartment,
88, Sampatrao Colony
Behind Federation Building, Alkapuri,
Vadodara 390 007

Tel. No. 339397, Fax No. 341639

instead of at the Registered Office of the Company."

By Order of the Board of Directors,
for **Indian Petrochemicals Corporation Limited,**

(A. Parthasarthy Naidu)
Company Secretary

Dated : August 28, 1997
Registered Office:
P.O. Petrochemicals
District Vadodara
PIN 391 346

NOTES

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF/

HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.

- 2 Explanatory Statement, pursuant to Section 173 (2) of the Companies Act, 1956, in respect of special business is annexed.
- 3 Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
- 4 Members attending the meeting are requested to bring their copy of the Annual Report.
- 5 Shareholders seeking any information with regard to Accounts are requested to send their queries to the Company at an early date so as to enable the Management to keep the information ready.
- 6 Dividend when sanctioned will be paid to the members whose names appear in the Register of Members on the date of the Annual General Meeting.
- 7 The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 1997 to 26th September, 1997 (both days inclusive).
- 8 Members are requested to inform the changes, if any, in their registered addresses along with their Bank Account No., Name of Bank for remittance of Dividend etc. to the Company's Registrars and Share Transfer Agents - Messrs MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Behind Federation Building, Alkapuri, Vadodara 390 007, on or before 26th September, 1997.
- 9 Members who have multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificate (s) to the Registrars and Share Transfer Agents - Messrs MCS Limited for consolidation of all such shareholdings into one account to facilitate better service.
- 10 The Company has already transferred unclaimed dividend declared for the financial year ending 31st March, 1993 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend for the aforesaid financial year, may claim the same from the Registrar of Companies, Gujarat State, Jivabhai Chambers, Ashram Road, Ahmedabad-380 009.

The Unpaid Dividends that are due for transfer to the Central Government are as follows:-

Financial Year ended	Due for transfer on
31.3.1994 Final Dividend	09.11.1997
31.3.1995 Final Dividend	08.11.1998
31.3.1996 Interim Dividend	01.04.1999
Final Dividend	06.11.1999

Members who have not encashed their dividend warrants for the aforesaid financial years are requested to approach the Company's Registrars and Share Transfer Agents, for obtaining duplicate dividend warrants.

ANNEXURE TO THE NOTICE

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

Item No. 4

Shri S. K. Sood holds office as Director until the conclusion of the Annual General Meeting. The Company has received notice together with necessary deposit under Section 257 of the Companies Act, 1956, from members signifying their intention to propose the appointment of Shri S. K. Sood as Director of the Company. Shri S. K. Sood has agreed to act as Director, if so appointed. The Directors recommend the resolution for members' approval as it is in the interest of the Corporation.

Shri S. K. Sood may be deemed to be interested in the resolution as it relates to his appointment.

None of the other Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 5

Dr. C. M. Lamba has been appointed as Director (Personnel) by the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals), Government of India. In terms of the provisions contained in the Companies Act, 1956, Dr. C. M. Lamba holds office as Additional Director upto the conclusion of this Annual General Meeting. The Company has received Notice together with necessary Deposit under Section 257 of the Companies Act, 1956 from Member signifying their intention to propose the appointment of Dr. C M Lamba, as Director of the Company. Dr. Lamba has been associated with the Corporation for nearly two decades. Prior to his elevation as Director (Personnel), he was Executive Director in charge of Personnel and Corporate Planning. The Directors recommended the resolution for members' approval as it is in the interest of the Corporation.

Dr. C. M. Lamba may be deemed to be interested in the resolution as it relates to his appointment.

None of the other Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 6

In keeping with the Company's strategy to build modern world scale plants to establish market leadership in its major products, your Corporation has envisaged massive expansion and diversification projects during the Ninth Plan period in all its three mega petrochemical complexes based at Vadodara/Gandhar in Gujarat and Nagothane in Maharashtra. These include revamping of existing naphtha cracker plant, setting up plant for linear low density polyethylene, high rubber grafts, butene, expanding the gas cracker plant capacity by adopting state-of-the-art technology, modernisation/expansion of existing off-site projects, etc. All these projects are capital intensive and require large capital outlays. The Corporation has submitted investment plans for Rs. 6,000 crores for setting up the above plants during the Ninth Five-Year Plan period to Government for approval.

The project envisaged by all the three Complexes of the Corporation are proposed to be financed through internal resources and external commercial borrowings without any budgetary support from the Government. Further as the Government holding after conversion of the Foreign Currency Convertible Bonds will be 51.2 per cent,

equity route for meeting the fund requirement will not be available to the Company and shall have to depend totally on borrowings. The management is, therefore, exploring various sources of raising funds from Capital Market in consultation with the Merchant Bankers and the proposed resolution is recommended for seeking Shareholders' consent as per requirement of Section 81 of the Companies Act, 1956. The proposed resolution seeks Shareholders' sanction for raising additional funds upto Rs. 1,250 crores. The resolution proposes to delegate authority to the Board of Directors to decide in consultation with the Merchant Bankers, and obtain consents/approvals/ sanction from authorities regulating raising of funds from Capital Market in India and/or abroad for the size of issue, instrument, convertible/non-convertible portions, premium to be charged on conversion, option of tradable warrants, so on and so forth as well as all matters incidental and connected with the proposed issue. The Directors, therefore, recommend the resolution for approval.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item Nos. 7 and 8

The Directors at present are empowered to mortgage and/or create charge on all or any of the moveable or immovable properties of the Company under Section 293 (1) (a) of the Companies Act, 1956 and borrow monies upto a limit of Rs. 1,200 crores in the form of Rupee borrowings and US Dollars 850 Million in the form of foreign currency borrowings under Section 293 (1) (d) of the Companies Act, 1956. In order to finance the Company's proposal to set up the diversification/expansion/modernisation projects envisaged during the Ninth-Five Year Plan period in all its three petrochemical complexes at Vadodara, Nagothane and Gandhar, it is considered necessary to raise these limits upto Rs. 2,500 crores for Rupee borrowings and US Dollars 1,250 Million for foreign currency borrowings. The Directors, therefore, recommend the enabling resolutions for approval of the Shareholders.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 9

The acrylonitrile plant coming up at Gandhar Complex will be producing hydrocyanic (HCN) acid which needs to be safely disposed off. In this direction, the Corporation has entered into a joint venture agreement with Vinmar Petrochemical Limited, which is a part of Vinmar Group, USA for establishing a joint venture company under the name and style "Indian Petrovin Limited" for setting up a plant for the manufacture of methylmethacrylate(MMA)/polymethyl-methacrylate(PMMA) adjacent to acrylonitrile plant of Gandhar Complex. The joint venture project is estimated to cost around Rs. 316 crores. The funding of the project cost will be on a debt:equity ratio of 1.5:1 and promoters' contribution towards equity share capital will be frozen at Rs. 130 crores. The pre-feasibility studies for the project have been carried out and the return on investment is expected to be around 21 per cent. As the project ensures sale of the entire quantity of by product-hydrocyanic acid from the proposed ACN plant of Gandhar Complex to the said joint venture company, the Corporation has decided to join the venture by contributing Rs. 65 crores towards equity share capital. The Directors, therefore, recommend the resolution for approval.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 10

The Corporation, as a part of its growth plan, is evaluating several project proposals including some as joint ventures to be implemented during the Ninth Five Year Plan Period. The Corporation is already a major producer of acrylic fibre and with the new acrylonitrile plant coming into operation at Gandhar Compelx, it is proposed to set up forward integration unit in fibre for increasing the value addition and maintaining market leadership. The demand for acrylic fibre in the country is growing at a cumulative annual growth rate of 11 per cent. In order to meet the the growing demand for acrylic fibre within the country as well as to maintain the Corporation's prominent position in the acrylic fibre market, it is proposed to set up another acrylic fibre plant of 50,000 MTA capacity in association with M/s. Malwa Cotton Mills Limited as a joint venture unit and locate it some where near the Gandhar Complex at Dahej to facilitate easy accessibility to acrylonitrile which is the major raw material for production of acrylic fibre. The project is estimated to cost Rs. 624 crores inclusive of the foreign exchange component of Rs. 198 crores. The Directors recommend the Resolution for members' approval as it is in the interest of the Corporation.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 11

GSL (India) Limited is associated with the Corporation as one of its major customers for acrylic fibre and has a large spinning mill near Rajpipla in Gujarat. The Company is also in possession of land in close proximity to IPCL's complexes with adequate infrastructure facilities and has the needed technical, managerial and marketing capabilities in spinning mill for acrylic fibre and blended yarns. The strategic alliance for conversion of acrylic fibre into yarn with GSL (India) Limited merits consideration as it ensures immediate take-off as against the gestation period of 3 years involved in setting up a Green Field Project. Under the arrangement, the Corporation would be associating as an equity partner with GSL (India) Limited for modernising their existing unit and further expansion to one lakh spindles which would involve a capital expenditure of around Rs. 271 crores. The Directors recommend the Resolution for members approval as it is in the interest of the Corporation.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 12

The Corporation is evaluating several project proposals for implementation during the Ninth Five-Year Plan period as a part of its growth plan. Some of these are being planned to be implemented in joint ventures. Based on financial structures of these ventures, there will be a situation of raising debts from the market. As a part of the terms and conditions of debt raising, the Institutions require joint venture partners to give corporate guarantees, securities, etc. till the repayment of debts. In the course of evaluating such proposals as well as in the course of Company's day-to-day business, it becomes necessary for the Board of Directors, from

time to time to give loans, guarantees, or provide security in connection with loans. It is, therefore, considered necessary to obtain the consent of the members by a Special Resolution giving the authority to the Board of Directors to give any loan, guarantee or provide any security, in connection with loans made to any other person by, or by any other person to, any body corporate in accordance with the provisions contained in Section 370 of the Companies Act, 1956. The Directors recommend the resolution for members' approval as it is meant for furthering the business interest of the Corporation.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 13

The members are aware that the Companies Act, 1956 presently restricts the purchase of own shares by a Company unless the same is done with a view to reduce its capital. Reduction of capital is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956. The flexibility to buy back own shares would give a clear signal to the market that the Company believes that its shares at a point of time is under-valued. Further, it provides the Company the facility to use surplus funds advantageously with minimum risks as compared to investment in share of other Companies. It sends a positive message to the investors' community at large that the management strongly believes that the share is under-valued. The Directors recommend the resolution for members' approval as it is in the interest of the Corporation.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No. 14

The Company, with a view to extend Depository Services to the shareholders, terminated the services of the erstwhile Share Transfer Agents - PCS Industries Limited, Vadodara and MCS Limited, Vadodara have been appointed as the new Registrars and Share Transfer Agents of the Company. The Register of Members and the Annual Return prepared under the Companies Act, 1956 will be maintained by the Registrars and Share Transfer Agents for execution of the work entrusted to them. Under the Companies Act, these registers and other documents which are required to be maintained at the Registered Office of the Company may be kept at a place other than the Registered Office of the Company, provided a special resolution to that effect is passed by the members. The change being in the interest of shareholders at large, the Directors recommend the Resolution for adoption.

By Order of the Board of Directors,
for Indian Petrochemicals Corporation Limited,

(A. Parthasarthy Naidu)
Company Secretary

Dated : August 28, 1997
Registered Office:
P.O. Petrochemicals
District Vadodara
PIN 391 346

DIRECTORS' REPORT

To
THE SHAREHOLDERS

Your Directors are pleased to present the Twenty- Eighth Annual Report of your Company together with the audited financial statement for the year ended 31st March 1997.

FINANCIAL HIGHLIGHTS

The highlights of the financial results for the corporate financial year ended 31st March 1997 are :

	(Rupees in lakhs)	
	1996-97	1995-96
Sales	342963	380370
Operating profit before interest and depreciation	94565	125504
Profit after interest, depreciation and prior period adjustment	59314	97010
Provision for taxation	8294	36640
Net profit after taxation	51020	60369
Profit available for appropriation	182948	150836
Appropriations:		
Debenture redemption reserve	7750	2450
Dividend	9927	9958
Corporate Tax on Dividend	993	---
General reserve	6000	7000
Balance carried forward	158278	131428

OPERATIONS

The operations during the year under review at Corporation's mega petrochemical complexes at Vadodara in Gujarat and Nagothane in Maharashtra were as under:-

Vadodara Complex

The Vadodara Complex during the year under review, recorded a production of 3,50,525 metric tonnes of major saleable products covered under the Memorandum of Understanding signed by the Corporation with Government of India. Further, during the year, Vadodara-based new polypropylene and polybutadiene rubber plants were commissioned and 3,554 metric tonnes of products were manufactured from these plants. The Vadodara-based plants like low density polyethylene, polypropylene copolymer, linear alkyl benzene and benzene exceeded the name plate capacity whereas low density polyethylene, polypropylene copolymer, polyvinyl chloride, acrylic fibre, linear alkyl benzene, ethylene oxide, ethylene, propylene, and acrylates produced by the respective plants exceeded the targets set for the year. The overall capacity utilisation of the Complex excluding the recently commissioned polypropylene and polybutadiene rubber plants works out to around 87 per cent compared to 96 per cent achieved in the previous year. The main reasons for shortfall in production is attributed to forced shutdown of plants like orthoxylene, polybutadiene rubber and polypropylene due to market

constraints, non-availability of feedstock and unstabilised operations of the newly commissioned polypropylene polybutadiene rubber plants.

The orthoxylene plant was run on low throughput due to low contribution as and when orthoxylene was produced from imported mixed xylenes or C5 reformate. The production of polybutadiene rubber was low due to non-availability of butadiene pursuant to hook-up activities taken up for butadiene expansion project. Similarly, the production from the existing polypropylene plant was low due to diversion of propylene from the naphtha cracker to the new polypropylene plant, over and above technical problems associated in commissioning the new polypropylene plant. The production from the recently commissioned polybutadiene rubber plant was low due to delay in commissioning of butadiene revamp project and non-availability of butadiene from other sources.

Nagothane Complex

The Corporation's Maharashtra Gas Cracker Complex at Nagothane recorded an excellent all round performance in terms of production of saleable products. The Complex recorded a production of 3,44,652 metric tonnes of saleable products and achieved 101 per cent capacity utilisation. The polypropylene, low density polyethylene, and high density polyethylene/linear low density polyethylene plants of the Complex exceeded the name plate capacity, whereas products like propylene, low density polyethylene, ethylene oxide, polypropylene, high density polyethylene, wire and cable compounds produced by the respective plants exceeded the targets set for the year. New value added grades of polypropylene and linear low density polyethylene were produced to meet the market requirement and they were well accepted by the market.

The combined overall capacity utilisation of both these Complexes of the Corporation during the year was 93 per cent as against 97 per cent achieved in the previous year. The shortfall is attributed to market constraints, forced plant shutdown and non-availability of feedstock.

Gandhar Complex

The Corporation commissioned 1,50,000 MTA polyvinyl chloride plant in December, 1996 based on the state-of-the-art technology licensed from BF Goodrich of USA at Gandhar. The first consignment of Indovin (PVC) produced by the mega complex at Dahej in Bharuch District entered the market and the Corporation has become a major supplier of PVC in the Indian market. With the introduction of Indovin (PVC) the dependence of domestic customers on imports is likely to come down considerably paving way for Company's increased market share. The chlor-alkali plant of this Complex expected to produce chlorine for PVC plant and caustic soda for merchant sale has also been commissioned and a small volume of chlorine/caustic soda produced. The Company's marketing team is fully geared up to position the products coming out of this third mega Complex in a phased manner.

MARKETING

Notwithstanding the challenges of the economic reforms that

resulted in opening up of the domestic market to international competition, your Company achieved considerable progress despite emergence of greater competitive challenges and pressures. During the year, a record 8,14,519 metric tonnes of products from the Corporation's three mega Complexes reached customers spread across the country. The gross sales during the year under review was Rs. 3,430 crores and the polymer business alone accounted for 69 per cent of the turnover. The share of chemical and fibre & fibre intermediates was 15 per cent and 13 per cent respectively with the balance accounted for by residue and other products. Effective and efficient management of inventory and receivables ensured that year-end stocks were just around 10 salesdays and restricted the receivables to 41 salesdays, which together in terms of value was Rs. 457 crores. During the year, the Company increased its stake in PVC pursuant to commissioning of the PVC plant at Gandhar, which was positioned successfully in the market despite a highly competitive scenario.

The Company having gained recognition as an 'EXPORT TRADING HOUSE' successfully made its presence felt in the global market by increasing its share in value and volume of exports. With focus on polymers, the exports turnover was maintained at a level of Rs. 107 crores as that of previous year, despite fierce global competition and exclusion of paraxylene from the export basket. The export basket was, however, widened with the introduction of LDPE Milk packaging and injection moulding grade and reaching countries in the Middle-East, Asia, Africa, Europe and Australia.

In recognition of Export efforts made, your Corporation received the National Export Award from the Hon'ble President of India. During the year, the Corporation also participated in PLAST India '97 Exhibition held at Pragati Maidan, New-Delhi as well as the Indian Trade Exhibition held at Kathmandu, Nepal.

FINANCE

A prudent and pro-active management of finances and foreign currency exposures stood your company in good stead.

Bond Issue

The work on the second phase of the Company's Gandhar Complex has already begun and to part finance this, the Company floated 16.5% secured redeemable non-convertible bonds on private placement basis (IPCL Bonds Series - H) aggregating Rupees 150 crores with an option to retain oversubscription of Rs. 150 crores. The response to the issue was overwhelming as the bonds carried "AAA Rating" by CARE - a Mumbai based independent credit rating agency and was perceived as the best quality, carrying negligible investment risks.

Euro Issue

The Company's Euro Convertible Offering worth US Dollars 175 million was a watershed as it helped the Company to overcome sovereign ceiling. This is the first time any Indian corporate has pierced the sovereign ceiling in any form of external borrowing, thus enabling the Corporation to tap a wide range of US based investors who normally restrict themselves to buying top-rated paper. The bond issue has improved company's image in the

international market by a considerable degree. The piercing of the sovereign rating was done through an innovative product - Credit Enhanced Debt Indexed to Stock (CrEDIT) carrying a cash coupon of 2.5 per cent per annum underwritten by Bank of America and Citibank. Currently, Government of India owns 59.47 per cent equity shares, which is likely to get diluted to 51.2 per cent in the event of full conversion of the bond at the option of the bond-holders by 2002.

Public Deposits

There were no overdue deposits as on 31st March 1997. The Company continued accepting fresh deposits from the public by filing a statement in lieu of advertisement with the Registrar of Companies, Gujarat State, Ahmedabad. The total amount of public deposits held as on 31st March, 1997, was Rs. 195 crores, representing 6,152 deposit holders. Out of these, 207 deposits remained unclaimed.

Foreign exchange earnings and outgo :

(Rupees in lakhs)

Foreign exchange earnings	12,361
Foreign exchange outgo	42,280

Dividend

The Budget 1997 envisaged new tax concept relating to dividend income. The Budget, while proposing to exempt dividend in the hands of shareholders, envisaged taxing distributed dividend in the hands of companies paying dividends. The Directors, in keeping with the Budget pronouncement and excellent working results, are pleased to recommend a dividend of Rs. 4/- per equity share, subject to approval by the shareholders in the ensuing Annual General Meeting. The dividend received would be fully exempt from tax in the hands of shareholders. The dividend payout for 1996-97 will be Rs. 9927 lakhs as against Rs. 9,958 lakhs in the previous year, for which necessary provision has been made in the accounts.

As required by the provision of Rule 4(a) of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, concerned members are informed that an aggregate amount of Rs. 5.17 lakhs remaining unpaid/unclaimed from the dividend for the financial year ending 31st March, 1993 has been transferred to the General Revenue Account of the Central Government during the year.

DEPOSITORY SYSTEM

Your company's shares are now a part of the Depository System. As a major step in this direction, the Company has appointed M/s MCS Limited as the Registrars and Share Transfer Agents. With the company's stocks becoming a part of the Depository System, there will not be any risk to the shareholders on account of stolen shares, forged signatures, fake/forged certificates, etc. In fact, the risk of bad deliveries from the market will also get eliminated. Further, the shareholder will be free from the botheration of handling the stocks physically and service to investors will become more effective, smooth and speedy. To facilitate entry of clear shares into the Depository, all partly paid equity shares of the Company have been forfeited following non-payment of the amount outstanding.

PROJECTS & EXPANSIONS

Vadodara Complex

The year 1996-97 saw the successful commissioning of the following three major projects at Vadodara complex. They are (i) 75,000 TPA Polypropylene Plant (ii) 30,000 TPA Polybutadiene Rubber Plant; and (iii) Butadiene revamp project to produce additional 15,000 TPA. All these projects have been commissioned and commercial production has also commenced.

During the 9th Plan period, the Complex envisages revamping of the existing naphtha cracker of 1.30 lakh metric tonnes per annum ethylene capacity by setting up a state-of-the-art plant of 3.00 lakh metric tonnes per annum ethylene capacity to make the operations of the plant competitive with world scale units both domestic and international. With the additional ethylene available from the increased capacity of the cracker, it is proposed to set up a modern low density polyethylene plant of 1.60 lakh metric tonnes per annum capacity adopting state-of-the-art technology. Considering the demand and supply situation, the Complex also envisages setting up a plant of 0.20 lakh metric tonnes per annum capacity to produce High Rubber Graft as well as a plant to facilitate production of 1.30 lakh metric tonnes per annum of Butene-I and Butene-II. The requirement of power and utilities for these projects will be met by setting up an additional gas turbine set for power and by modernising and expanding the existing off-site projects. All these schemes and projects envisaged by the Complex are estimated to cost Rs. 2,000 crores.

Nagothane Complex

The existing gas cracker plant at Nagothane of 3.00 lakh metric tonnes per annum ethylene capacity is being expanded to 4.00 lakh metric tonnes per annum and is expected to go on stream by 1998. The high density polyethylene/low density polyethylene plant capacity is also being enhanced from existing 1.60 lakh metric tonnes per annum to 2.20 lakh metric tonnes per annum and is slated for completion by 1998. The other new projects in pipeline are N_2/O_2 separation plant and propene/propylene unloading facility at Mumbai. During the 9th Plan period, the Complex envisages (i) enhancing the ethylene production capacity from 4 lakh metric tonnes per annum to 5 lakh metric tonnes per annum to make the gas cracker plant more competitive with other major producers of ethylene; (ii) setting up of alpha olefin plant of 60,000 metric tonnes per annum; (iii) other downstream units for manufacture of primary alcohols and ethoxylates; and (iv) expansion/modernisation of the existing integrated offsite projects to meet the requirements of power and utilities. The schemes/expansion plan envisaged by the Complex are estimated to cost Rs. 900 crores.

Gandhar Complex

During the year under review, the first phase plants covering chlor alkali, vinyl chloride, polyvinyl chloride, captive jetty, power plant, water supply and associated utilities went on stream by end 1996.

The work related to the second phase has commenced. This phase consists of gas cracker plant to produce 3.00 lakh metric tonnes per annum of ethylene employing process know-how obtained from Stone & Webster of U.S.A., 1.60 lakh metric tonnes per annum of high density polyethylene plant based on technology licensed by Hoechst of Germany and plant to produce 1.00 lakh metric tonnes per annum of monoethylene glycol and 10,000 metric tonnes per annum of ethylene oxide, employing technology licensed by Scientific Design of U.S.A. The improved infrastructure facilities available at Dahej has increased the pace of on-going work. All these plants are expected to go on stream by end 1998.

The projects envisaged by all the three Complexes of the Corporation are proposed to be financed through internal resources and external commercial borrowings without any budgetary support from the Government.

JOINT VENTURES

The Company has set up two joint venture companies. GE Plastics India Limited is a joint venture company with General Electric International Benelux/BV Holland, for manufacturing advanced engineering plastics. The joint venture company during 1996-97 achieved a turnover of Rs. 142.57 crores as against Rs. 101 crores achieved in the previous year and earned a net profit of Rs. 2.05 crores. The Company is in the process of setting up silo storage system for Lexan powder handling and expanding production capacity of the ABC plant.

Another joint venture - Gujarat Chemical Port Terminal Company Limited is a unique chemical port coming up at Dahej in the Gulf of Khambhat in Gujarat. This being an infrastructure project, would give flexibility of operation to the Corporation in augmenting the requirements of imported feedstocks for Vadodara/Gandhar Complexes and also facilitate easy handling of export consignment.

The acrylonitrile plant coming up at Gandhar Complex producing hydrocyanic (HCN) acid which needs to be safely disposed of. In this direction, the Corporation has entered into a joint venture agreement with M/s Vinmar Petrochemical Limited, which is a part of Vinmar Group, USA, for establishing a joint venture company under the name and style "Indian Petrovin Limited" for setting up a plant for the manufacture of methylmethacrylate(MMA)/polymethyl-methacrylate(PMMA) adjacent to acrylonitrile plant of Gandhar Complex. The joint venture project is estimated to cost around Rs. 316 crores. The funding of the project will be on a debt:equity ratio of 1.5:1 and promoters' contribution towards equity share capital will be frozen at Rs. 130 crores. The pre-feasibility studies for the project have been carried out and the return on investment is expected to be around 21 per cent. As the project ensures sale of the entire quantity of byproduct - hydrocyanic acid from the proposed acrylonitrile plant of Gandhar Complex to the said joint venture company, the Corporation has decided to join the venture by contributing Rs. 65 crores towards equity share capital, for which necessary resolution is being recommended for shareholders' approval.

The Company also proposes to set up joint venture projects in the fields of oil refinery, power generation, fibre/yarn production,