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Indian Petrochemicals Corporation Limited

P.O. Petrochemicals, Dist. Vadodara 391 346, Gujarat

BOARD OF DIRECTORS

Shri Ashok Chawla

Chairman-cum-Managing Director

WHOLE-TIME FUNCTIONAL DIRECTORS

Shri C. Bhattacharya

Shri S. K. Anand

Dr. C. M. Lamba

Shri S. B. Shah w.e.f. 6-8-2001

PART-TIME OFFICIAL DIRECTORS

Shri Vijay Ranchan

Shri Vishwas Dhumal w.e.f. 19-6-2001

PART-TIME NON-OFFICIAL DIRECTORS

Shri S. M. Datta

Shri D. Basu

Dr. J. S. Juneja

Shri Rajinder Gupta

Company Secretary

Shri A. Parthasarthy Naidu

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited

Neelam Apartment, 88, Sampatrao Colony,

Alkapuri, VADODARA-390 007

Tel:(0265) 339397, Fax : (0265) 341639

Email : mcs.brd@lwbdc.lwbbs.net

FIXED DEPOSITS & DEBENTURES

Scrips Financial Services (Pvt.) Ltd.

Satish Chambers, Opp. Railway Police Ground,

Near G.P.O., Raopura, VADODARA-390 001

Tel: (0265) 427177 / 427277 Fax : (0265) 433840

Email : scrips@hotmail.com

REGISTERED OFFICE

PO :: Petrochemicals

Dist: VADODARA-391 346

Tel: (0265) 265091 Fax : (0265) 266164

BANKERS

State Bank of India

Bank of India

Bank of Baroda

State Bank of Saurashtra

HDFC Bank

Bank of America

Citibank N.A.

Standard Chartered Grindlays Bank

ABN AMRO Bank

AUDITORS

Kantilal Patel & Co.

Chartered Accountants

202, "Paritosh"

Usmanpura, (River Side)

AHMEDABAD-380 013

BRANCH AUDITORS

Girish Murthy & Kumar

Chartered Accountants 4502, High Point IV,

5th Floor 45, Palace Road

BANGALORE-560 001

Chhotalal H. Shah & Co.

Chartered Accountants

Gold Mohur, 1st floor, Shamaldas Gandhi Marg

MUMBAI-400 006

A. K. Barman & Associates

Chartered Accountants

85, Lenin Sarani, 1st Floor

KOLKATA-700 013

H. K. Chaudhary & Co.

Chartered Accountants

1/9-B, Jindal House, Asaf Ali Road,

NEW DELHI-110 002

AGM VENUE

32nd Annual General Meeting will be held at **2.00 p.m.**

on Thursday, September 27, 2001 at Mahatma Gandhi

Nagargruh, Raopura, Vadodara - 390 001.



NOTICE

NOTICE is hereby given that the Thirty-second Annual General Meeting of the Shareholders of Indian Petrochemicals Corporation Limited will be held at 2.00 p.m. on Thursday, September 27, 2001 at the Mahatma Gandhi Nagargruh, Raopura, Vadodara 390 001 to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended March 31, 2001, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri S. K. Anand, Director (Operations) who retires by rotation and being eligible, offers himself for reappointment.
4. Auditors' Remuneration
To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution: -
"RESOLVED THAT the Board of Directors of the Company, be and is hereby authorized to fix the remuneration of the Statutory and Branch Auditors as and when appointed by the Government of India on the recommendations of the Comptroller and Auditor General of India (CAG) pursuant to the provisions contained in Section 619 of the Companies Act, 1956, for the financial year 2001-2002."

SPECIAL BUSINESS

- To consider and, if thought fit, to pass with or without modification(s), the following Resolutions as an Ordinary Resolution: -
5. "RESOLVED THAT Shri Vijay Ranchan be and is hereby appointed as Director of the Company until the conclusion of the next Annual General Meeting."
 6. "RESOLVED THAT Shri Vishwas Dhumal be and is hereby appointed as Director of the Company until the conclusion of the next Annual General Meeting."
 7. "RESOLVED THAT, Shri S. B. Shah, Director (Finance) be and is hereby appointed as a Director of the Company, liable to retire by rotation."
 8. "RESOLVED THAT, in supersession of Resolution passed at the 28th Annual General Meeting of the Company held on 26.9.1997 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 bills 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. 3,500 crores (Rupees three thousand five hundred crores only) for rupee borrowings and US \$ 700 million (US \$ seven hundred million only) for foreign currency borrowings in US \$ or its equivalent, exclusive of interest; and, the Directors are hereby further authorized 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."

Date: August 10, 2001
Registered Office:
P.O. Petrochemicals
District Vadodara
PIN 391 346

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

(A. Parthasarthy Naidu)
Company Secretary

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 RECEIVED 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 and are also requested to bring their copy of the Annual Report for 2000-2001.
4. Shareholders seeking any information with regard to Accounts are requested to mail their queries to the Company at an early date so as to enable the management to keep the information ready.
5. The dividend for the year ended March 31, 2001 as recommended by the Board, if approved at the meeting, will be paid to those members whose names appear in the Company's Register of Members on September 27, 2001. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.



6. **The Register of Members and Share Transfer Book of the Company will remain closed from Thursday, September 13, 2001 to Thursday, September 27, 2001 (both days inclusive).**
7. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change / deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants.
8. Members are requested to inform the changes, if any, in their registered addresses along with their Bank Account Numbers, Name & Branch of Banks for remittance of dividend etc. to the Company's Registrars & Share Transfer Agents - **MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Alkapuri, Vadodara 390 007, on or before September 13, 2001.**
9. Pursuant to the provisions contained in Section 205 (A) of the Companies Act, 1956, as amended, the dividend remaining unclaimed for a period of seven years will be transferred to the Investors' Education and Protection Fund of the Government of India, on the following dates: -

Financial Year	Dividend	Date
1995-96	Interim	1.04.2003
1995-96	Final	6.11.2003
1996-97	Final	7.11.2004
1997-98	Final	10.11.2005
1998-99	Final	10.11.2006
1999-2000	Final	9.11.2007

Shareholders who have not encashed their dividend warrants so far, for the aforesaid financial years, are requested to encash the same after due revalidation by Registrars & Transfer Agents - MCS Limited.

Annexure to the Notice

EXPLANATORY STATEMENT

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

Items No. 5 & 6

S/Shri Vijay Ranchan and Vishwas Dhumal hold office as Part-time Official Directors until the conclusion of the Annual General Meeting. The Government of India has recommended their appointment for another term of one year; and, as such, they are entitled to hold office until the conclusion of ensuing Annual General Meeting. The above-named Directors have consented to act as Directors on the Company's Board of management, if so appointed. The Company has received notice together with necessary deposits under Section 257 of the Companies Act 1956 from the member (s) signifying their intention to propose the appointment of above-named individuals as Directors of the Company. The Directors recommend the resolution for members' approval as their nomination is in the interest of the Corporation. S/Shri Vijay Ranchan and Vishwas Dhumal may be deemed to be interested in the resolution as it relates to their appointment. None of the other Directors of the Company is, in any way, concerned or interested in the Resolution. The disclosure to be made in compliance of the Listing Agreement in respect of above named Directors is given in the Annexure forming part of the Directors' Report.

Item No. 7

Shri S. B. Shah has been appointed as Director (Finance) by the Government of India, New Delhi. In terms of provisions contained in the Companies Act, 1956, Shri Shah holds office as Additional Director until the conclusion of this Annual General Meeting. The Company has received a Notice together with necessary deposit under Section 257 of the Companies Act, 1956 from the members signifying their intention to propose the appointment of Shri S. B. Shah as a Director of the Company. Shri Shah, a Chartered Accountant by profession, is associated with the Company for nearly three decades and prior to his elevation as Director (Finance), he was Executive Director incharge of the entire finance operations of the Company. The Directors recommend the resolution for members' approval as it is in the interest of the Company. Shri Shah may be deemed to be interested in the resolution as it relates to his appointment. None of the Directors of the Company is, in any way, concern or interested in the resolution. The disclosures to be made in compliance of the Listing Agreement is given in the Annexure forming part of the Directors' Report.

Item No. 8

The Directors, at present, are empowered to mortgage and/or create charge on all or any of the moveable or immoveable properties of the Company under Section 293 (1) (a) of the Companies Act, 1956 and borrow monies upto a limit of Rs. 2,500 crores in the form of Rupee and US Dollars 1,250 Million in the form of Foreign Currency under Section 293 (1) (d) of the Companies Act, 1956. The Company has completed the project at Gandhar Complex, and, the outlay is now focussed on modernization, expansion and diversification. Further, the domestic and foreign money market has undergone a change requiring restructuring of borrowings by the Company. The projects envisaged, are proposed to be financed through internal resources and commercial borrowings without any budgetary support from the Government. The Directors, therefore, recommend the enabling resolution for approval of the Shareholders for increasing the existing ceiling in Rupee borrowings from Rs. 2,500 crores to Rs. 3,500 and reducing Foreign Currency borrowing limit from US Dollars 1,250 millions to US Dollars 700 millions or its equivalent. None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

Date: August 10, 2001

Registered Office:

P. O. Petrochemicals

District Vadodara

PIN 391 346

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

(A. Parthasarthy Naidu)
Company Secretary



MANAGEMENT REPORT

To

The Members

Your Directors have pleasure in presenting the 32nd Annual Report of the Company together with management discussions, analysis of performance, audited statement of accounts, Auditors' Report and the Review of Accounts by the Comptroller & Auditor General of India (CAG), on the working of the Company for the financial year ended March 31, 2001 as under:-

OPERATING REVIEW

The Company has once again set a new production and sales record during the year. The business mix has broadly remained unchanged with Polymer group of products contributing 66 per cent, Fibre & Fibre Intermediates 12 per cent, and Chemicals 22 percent respectively. The sales have remained directed largely at the vast home market in almost all its products. The major challenge the Company had to face this year was in dealing with the steep increase in the prices of major feed stocks and significant volatility in the prices of all major products. The Company successfully met these challenges, reporting improved all-round operational and financial performance. The highlights of performance during the year was as under:-

FINANCIAL

	(Rs. crores)		Growth %
	2000-01	1999-00	
Gross Sales Turnover	5,818	4,920	18
Profit before interest, depreciation and tax	1,178	904	30
Interest payment	491	388	
Depreciation	415	319	
Profit before tax	272	197	
Tax provision	23	8	
Profit after tax	249	189	32
Capital employed	7,284	7,415	
Net profit to capital employed (%)	3.42	2.55	
Appropriations			
Proposed Dividend	75	50	
Corporate Dividend Tax	8	11	
General Reserve	30	15	

PHYSICAL

	Lakh metric tonnes		Growth %
	2000-01	1999-00	
Production	13.71	11.76	17
Sales	14.37	12.23	18

Dividend

The Directors recommend dividend of 30% on the paid-up capital of Rs. 248.22 crores for the financial year ended March 31, 2001, which will be paid out of the profits of the Company for the year to all equity shareholders, whose names appear on the Register of Members as on September 27, 2001.

MANAGEMENT DISCUSSIONS & ANALYSIS OF PERFORMANCE

REVIEW OF FINANCIAL PERFORMANCE

The financial year under review witnessed entry of some new players and consolidation by the existing manufacturers. The overall business environment was difficult, wherein general economic situation had an impact on consumption levels and retaining market position was difficult. The steep increase in prices of major feed stocks, naphtha and gas, exerted pressure on margins. Despite these constraints, the year 2000-01 has been a year of good achievements, as the Company met the challenges aggressively with a focused strategy and market-led production. The operating performance of the Company's three complexes at Vadodara, Nagothane and Gandhar during the financial year ended March 31, 2001 was as under:-

Vadodara Complex

The Vadodara Complex during fiscal 2000-01 produced 4.29 lakh metric tonnes of merchant products and achieved capacity utilization of 106%. The Polypropylene, Polybutadiene rubber, Acrylic Fibre, Linear alkyl Benzene plants achieved the highest ever annual production. The Polymer, Fibre & Fibre Intermediate and Chemical group plants operated at 103%, 92% and 121% respectively of their capacity and achieved an overall growth of 6% over previous year. The contribution of Polymer, Fibre & Fibre Intermediates and Chemical group of products in the entire production from the Vadodara Complex was 69%, 7% and 24% respectively.

Nagothane Complex

The Company's Nagothane Complex performed excellently during the period under review with a production of 4.45 lakh metric tonnes of merchant products and achieved capacity utilization of 104%. The Linear Low-Density Polyethylene and Polypropylene plants achieved the highest ever-annual production. The Polymer, Fibre & Fibre Intermediate group plants operated at 105% and 98%, whereas the Chemical group plants operated at 90% of their capacities respectively and achieved an overall growth of 3% over previous year. The contribution of Polymer, Fibre & Fibre Intermediate and Chemical group of products in the entire range was 88%, 11% and 01% respectively. The Wire & Cable Compound plant was under shutdown for a major period due to marketing constraints.



Gandhar Complex

Consequent upon commissioning of all Phase-I and Phase-II projects and stabilization of operations, the Company's third mega petrochemical complex at Dahej, produced 4.97 lakh metric tonnes of merchant products and achieved capacity utilization of 92%. The Caustic Soda Lye and Monoethylene Glycol plant of the Complex achieved the highest ever production, whereas the production from Polyvinyl Chloride plant exceeded the name plate capacity. The contribution of Polymer, Fibre & Fibre Intermediates and Chemical group plants in the entire volume of production was 51%, 20% and 29% respectively.

The combined production of major merchant products from the three complexes at Vadodara, Nagothane and Gandhar was 13.71 lakh metric tonnes as against 11.76 lakh metric tonnes achieved in the previous year, registering an overall growth of 17%. The contribution of Polymer, Fibre & Fibre Intermediates and Chemical Group of products in the said production from all the three complexes during the period under review was 69%, 13% and 18% respectively, whereas the combined capacity utilization of all operating plants achieved during fiscal 2000-01 was 100%. The excellent capacity utilization was made possible by resorting to feed stock imports and effective utilization of the infrastructure facilities available with the Company. All the three complexes during the year continued to produce high quality and speciality grade products, meeting international product quality at competitive prices and lived up to market expectations.

ENERGY CONSERVATION

The Company has continuously focused on energy conservation as a key component of its overall strategy to remain competitive in terms of energy cost and is continuously working towards conserving energy and optimizing its usage in all aspects of its operations. The specific energy-index during the year under review for the three production complexes in its totality stood at 4.19 MMKCal per metric tonne. Energy conservation measures were taken up in the areas of steam, power and fuel consumption in all the three complexes. Also cheaper fuels are being utilized to improve the fuel consumption. To promote oil conservation, programmes were conducted in all the complexes during the Oil Conservation Fortnight. The Company's efforts in energy conservation were recognized and was conferred an award by the Ministry of Power.

REVIEW OF SALES & MARKETING OPERATIONS

As a customer-friendly organization, the Company has been striving to achieve excellence in customer-satisfaction by providing the best possible products and services at reasonable prices. The Company's extensive marketing and distribution network, international product quality, product development efforts, strong customer-bonding and competitive pricing approach have been the key drivers, for growth in sales. The continued demand growth and expansion of the domestic markets, ensured that over 94 per cent of the Company's sales revenue was derived from domestic sales.

The Company achieved a new landmark in sales, pursuant to well-knit coordination between the sales and marketing operations' teams. A record 14.37 lakh metric tonnes of products reached customers as against 12.23 lakh metric tonnes sold in the previous year, thus, registering a growth of 18%. The contribution of Polymer, Fibre & Fibre Intermediates and Chemical group of products in the sales volume was 66%, 12% and 22% respectively. The growth in overall volume was driven by Polymer and Fibre & Fibre Intermediates group of products.

The gross sales turnover during the year under review was Rs. 5,818 crores as against Rs. 4,920 crores of the previous year, registering an increase in the sales value by 18%. The Company during the fiscal under review was largely benefited by increase in the petrochemical product prices and volume-driven sales in the entire sales volume. The products mainly contributing to the sales-volume were Low-Density Polyethylene, Polyvinyl Chloride, Polypropylene, High Density Polyethylene, Linear Low Density Polyethylene, Monoethylene Glycol, Linear Alkyl Benzene and Caustic Soda lye. The International prices of petrochemical products, which showed signs of stability during the first seven months of the fiscal, softened during the third / fourth quarter due to low demand and increased supply of ethylene and its derivatives from newly commissioned cracker plants in Saudi Arabia and Singapore. The Company, for value addition, also developed and introduced new polymer grades, resulting in increased market share.

The Polymer business witnessed yet another competitive year marked by large surpluses in the domestic market pursuant to commissioning and consolidation of capacities by the domestic players. Besides, supply/demand factors also contributed to the surplus with lower growth in polymer markets. However, there were silver linings in the form of new areas of growth like telecommunication ducting and food grain packaging, which resulted in demand-growth for high density Polyethylene and Polypropylene. Despite these factors, the Polymer business moved up by 15% in terms of volume and 21% in terms of value.

The Chemical Business Group managed well by skillfully positioning the major products viz. Linear Alkyl Benzene and Caustic Soda lye and pursuing additional value addition capacities for manufacture of Poly-Iso-Butylene and registered 12% growth in terms of volume and 22% in terms of value.

The Fibre & Fibre Intermediates business witnessed difficult market conditions in Monoethylene Glycol (MEG) and Acrylic Fibre calling for swift and effective marketing strategies. The MEG market was under pressure from international supplies that were available from newly created capacities in the Asian region. On the whole, the business grew by 52% in volume and 44% in terms of value.

The International Business Group has been a key player in the Company's strategy to manage surpluses and defend local market share. The Company's export growth in terms of volume and value was 50% and 70% respectively.

The Strategic Marketing Group continued to support the efforts of all the groups by maintaining a steady flow of timely information and analysis of future market trends and strategy formulations. The group actively associated with the consultants - PriceWaterhouse Coopers - appointed by the Company to review the existing marketing structures, processes and markets and to give recommendations on the same, keeping in view the current and future business environment in the wake of stiff competition in the domestic as well as international markets.

The Company participated in 'Petrotech-2001' held at New Delhi and the entire range of products manufactured by the Company was displayed at the exhibition. The Company's pavilion evoked considerable interest among the users of catalysts and adsorbents. The Hon'ble Minister for Petroleum & Natural Gas, Government of India, eminent scientists, technocrats and engineers from major fertilizer units, oil companies, representatives of overseas companies and officials from embassies visited the pavilion.



FINANCIAL REVIEW

The total revenues of the Company for the year 2000-2001 at Rs. 5,818 crores, were higher by 18% as compared to previous year. The export turnover was placed at Rs. 291 crores as against Rs. 171 crores in the previous year, registering an increase of 70%. The gross margin touched Rs. 1,178 crores and registered an increase of 30%. The Company's operations, after providing for interest, depreciation and tax, notched up a net profit of Rs. 249 crores as against Rs. 189 crores in the previous year. The operating margin was achieved despite uncertain market conditions, steep increase in raw material prices, impact of interest charges, depreciation, revision in salaries and benefits on account of pay revisions, lease rent pursuant to commissioning of the power plant taken on lease from Larsen & Toubro Limited for Gandhar Complex. A provision of Rs. 10 crores for doubtful debts has been made to mitigate eventual bad debts, if any, which may arise in future, due to increase in the business volume. The increase in the interest charges is primarily on account of interest on borrowings in respect of projects commissioned in 1999-2000 and additional working capital requirements due to increase in operations. A considerable liquidity crunch was faced during the year and it was only through excellent financial management that the impact of the crisis was not permitted to affect the day-to-day operations and project implementations. The shortfall in resources was met through increased commercial borrowings which continued to be secured at very fine interest rates as a result of the Company's reputation and relations with international banks and institutions.

The Company continued to accept deposits from the public under Section 58-A of the Companies Act, 1956. As on 31st March, 2001, the Public Deposits stood at Rs. 271 crores, representing 3,192 deposit holders, out of which, deposits to the tune of Rs. 1.23 crores, remained unclaimed and there were no overdue deposits. In order to reduce the cost of capital, the Company resorted to hedging transactions for interest rate and currency swap to reduce the cost of debt. The cash and bank balances stood at Rs. 289 crores as on March 31, 2001 as against Rs. 387 crores on March 31, 2000. The capital expenditure of Rs. 148 crores during the year was on account of planned capital investment programmes. The expenditure on foreign travel for procuring business orders, marketing, participation in exhibitions, training-supervision etc. was Rs. 0.39 crores during the year as against Rs. 0.33 crores in the corresponding previous year. The net worth of the Company, as on 31st March, 2001, stood at Rs. 3,220 crores as against Rs. 2,961 crores in the previous year. The fixed assets of the Company, comprising gross block and capital work-in-progress stood at Rs. 8,843 crores, resulting in an increase of Rs. 129 crores in comparison to previous year. The year end sundry debtors stood at Rs. 363 crores as against Rs. 429 crores in the corresponding previous year. The receivables were restricted to 23 sales days as against 32 sales days in the corresponding period of previous year.

The Company was able to access feed stock at international prices, facilitating the Company to control the raw material cost and ensure effective and full utilization of the installed capacities. The other factors that enhanced the Company's performance during the year, were effective supply chain management, improved capacity utilization in all the three complexes, maximizing of sales revenue in terms of value and volume, strategic positioning of products in the domestic and overseas market, improvement in logistics and overall productivity in all the Complexes.

The accounts for the year under review have been prepared on a going-concern basis following the applicable accounting standards, taking proper and sufficient care in the maintenance of accounting records to safeguard the assets of the Company and ensuring that the accounts give a true and fair view of the Company's state of affairs at the end of March 31, 2001 and profits of the Company for the said period. The overall performance of the Company judged in the context of prevailing market conditions, increase in prices of naphtha and gas due to increase in the price of crude oil, increase in interest charges, impact of depreciation on newly created assets, etc. reflects significant improvement compared to the previous year.

MANAGEMENT REVIEW

The Company has been successful in achieving the overall goals set out in the Memorandum of Understanding signed with the Government of India for 2000-01 and the performance qualifies the Company for placement in "Very Good" rating category.

RESEARCH, DEVELOPMENT AND DESIGN REVIEW

The Company continues to place great emphasis on Human Resources Development. In the era of knowledge-based competition, people necessarily play a central role and human capital forms the critical part of an organization's portfolio of privileged assets. The Company continues to invest in human capabilities across its multicultural work-force. The manpower strength of the Company in all its production complexes / units based at Vadodara, Nagothane, Gandhar and Rabale - Navi Mumbai as on 31st March, 2001 was 13,731 inclusive of supervisory / non-supervisory employees and Company trainees. The Company continued to maintain its track record of harmonious and cordial industrial relations. The pay revision of executives with effect from 1.1.1997 has been implemented. The charter of demands from the non-supervisory unions has been received and is under negotiation.

Training and Development

The Company believes in achieving organizational excellence through continuous development of its human resources. With a view to enabling employees to upgrade their professional knowledge to match the requirements of the Company, the Petrochemicals Management Development Institute organized management development programmes in key functional, developmental and strategic management areas with the objective of leveraging their intelligence for creating a positive and progressive organizational culture. The employees are encouraged to share professional learning and experience, and inter-complex competitions were also organized at corporate level to reward meritorious professional circles. The apex training institute imparted training to 6,505 employees (3,237 supervisory plus 3,268 non-supervisory) during the year.

Quality Circles

Quality circles have indeed made a difference not only in terms of productivity gains but also in improving the work culture of the organization. The Company continued to encourage the involvement of all grass-root employees in this creative endeavour, supported by facilitators and coordinators resulting in creation of a healthy competitive spirit among the work force.

Welfare of Weaker Sections

The Company has been scrupulously following the Presidential Directives and guidelines issued by the Government of India from time to time for protecting the interests of persons belonging to the weaker sections of society. A number of training programmes are also being organized for Scheduled Caste / Scheduled Tribe employees and officers dealing with the subject for their job enrichment.



Community Development

The Company's community development programmes are designed to meet the obligations of a responsible corporate citizen and to support development of the people in neighbouring communities. As a part of good community relations and to encourage developmental efforts, particularly in the field of health and education, the Company took up several projects in the vicinity of its major manufacturing units to improve the quality of life of the people. Noteworthy efforts in the area of community development work includes supply of potable water, construction of roads, school buildings, financial support to *balwadis*, health-services, etc. The Company demonstrates its concern for society by taking up projects in the vicinity of its Complexes through legally constituted trusts and welfare bodies.

Visit of Parliamentary Committee

During the year under review, the Company was honoured by the visit of the Hon'ble Members of Standing Committee on Petroleum and Chemicals led by Shri Shankar Singh Vaghela and by the Parliamentary Committee on the Welfare of Scheduled Castes / Scheduled Tribes.

Official Language Implementation

During the year, efforts were intensified for the progressive use of Hindi in official work in accordance with the provisions of the Official Languages Act, 1963 and the Official Languages Rules, 1976. A number of Hindi workshops were conducted to encourage the use of Hindi in original noting, drafting and correspondence. Employees, not having working knowledge of Hindi, were imparted training in *Prabodh*, *Praveen* and *Pragya*. Special Devnagri computer training courses were conducted to train the employees of Hindi Cell. The Company's Vadodara Complex was awarded a trophy by the Town Official Language Implementation Committee of Public Sector Undertakings. The Company was also honoured by the visit of the Hon'ble Members of the Parliamentary Committee on Official Language Implementation for inspection of Kolkata and New Delhi Regional Offices. The Committee appreciated the endeavours made by the Company in implementation of Official Language Policy of the Government and complying with the directives received from time to time.

Gujarat Earthquake

To support the relief measures initiated by the Government of Gujarat for combating the aftermath of the disastrous earthquake which struck Gujarat on January 26, 2001, the Company and its employees voluntarily contributed towards the Gujarat Chief Minister's Relief Fund. All employees of the Company contributed a day's salary whereas the Company supported the relief/rescue measures by providing woolen blankets, polyethylene film, fire tenders with engineering equipment and operating crew, CISF rescue team, medical team by incurring an expenditure of Rs. 1.36 crores to express solidarity with the victims of the earthquake.

RESEARCH AND DEVELOPMENT

The Company's Research Centre made significant progress during the year under review. The process know-how developed for optimization of paraxylene production by toluene methylation route is being commercialized through technology transfer. The optimization of additive formulation for polypropylene developed by the Centre may result in significant savings to the Company. The Centre also contributed in a significant manner to the new waste-water treatment plant. A new process for acetonitrile drying was implemented. The Research Centre continued to support the Company's business interests by value addition to many products and processes.

The Centre, through its Catalysts & Adsorbents Division, manufactured 26 metric tonnes of dehydrogenation catalyst valued at Rs. 27.50 crores as against Rs. 19.15 crores achieved in the corresponding period of the previous year and registered 31% growth in production and 43% in the sale of catalysts and adsorbents. The Company was granted 12 patents including eight international patents. Two US patents for the manufacture of alpha olefins and three US patents for the preparation of molecular sieve adsorbents are notable achievements of the Research Centre. The Research Centre continued to strengthen its linkages with national and international scientific and academic institutions to facilitate the Company to stay ahead in the emerging competitive market place through Research & Development efforts.

SAFETY & ENVIRONMENT

The operational activities at the plants are reviewed at regular intervals to ensure safety of employees. Plant inspection and audit by internal and external safety professionals are carried out to identify hazardous conditions. Disaster management plans are reviewed and regular mock-drills are conducted to familiarize the employees on Safety aspects. Safety awareness programmes like National Safety Day and Fire Services Day are held periodically to increase safety awareness among employees. The Company for recording very low accident incident rate, was conferred the British Safety Council's prestigious safety award consecutively for the 4th year. The Perfect Record Award was conferred on the Company by the National Safety Council, USA.

The Company is managing its operations with a high concern for the environment. Environmental issues involved in the manufacturing process are viewed seriously. The Company provides a solution for elimination of adverse environmental impact through treatment of waste gases, solids and liquids before its disposal according to environmental regulations. In order to strengthen the Company's Environment and Safety Policy, the Company is in the process of setting up an Environment Management System as per the requirement of ISO 14001 and is committed to attain accreditation in the near future. The Company's Nagothane Complex was conferred ISO 14001 certification and this feat was achieved by maintaining high environment standards. This certificate was conferred by the Netherlands-based Det Norske Veritas. A certificate of merit for high standards of management of fire, systems and procedures was also awarded to Nagothane Complex by Fire Protection Association, U. K. Similarly, the Company's Vadodara Complex received the Indo-German Environment Excellence Award for commissioning a state-of-the-art bio-treatment plant for treatment of cyanide bearing waste water from the acrylonitrile plant and for development, construction and commissioning of a secured landfill facility for disposal of hazardous waste.

The Company's environmental policy aims to maintain relevant environment norms as per prevailing statutory standards, conserve natural resources, minimize waste generation in petrochemical plant operations, contribute to a green economy and encourage environmental awareness in employees and society for vigilant hazard management and prevention of pollution.



QUALITY MANAGEMENT SYSTEM

As part of the Company's ongoing commitment to produce high quality products that cater to the needs of the domestic and overseas market, the focus is on state-of-the-art manufacturing facilities conforming to the highest international standards. Rigid quality measures are applied at every stage of manufacturing. Improvement in production efficiency, optimum raw material consumption, control of chemicals and other consumables form an ongoing programme in the Company. To ensure quality of performance, the Company has established and implemented a quality management system and was officially certified to ISO 9002 quality standards.

INFORMATION TECHNOLOGY

The Company is acutely conscious of the role of Information Technology in furtherance of its business operations. The Company's Corporate Systems Group is currently engaged in the preparation of an overall IT master-plan for its implementation across all locations to facilitate e-Commerce, customers' relationship management and supply-chain management. Significant progress has been made in completing fully integrated marketing and distribution information systems covering all the three Complexes, Regional Offices and Sales Centres. This fully integrated system has benefited the Company in timely decision-making related to marketing and distribution functions. The Company is actively considering the establishment of a virtual private network covering manufacturing facilities, regional offices, distributors, customers and suppliers to strengthen communication needs amongst various business partners.

TECHNOLOGY & ENGINEERING SERVICES

The Technology & Engineering Services Division continued to cater to the needs of the Company. The focus of the Division was to develop and implement strategies for enhancing pipeline capacity, efficiency of operating plants for lower catalyst consumption, focusing on new products, grades, systems development, product improvement in terms of reliability, quality, cost and import substitution. The latest state-of-the-art maintenance techniques and tools such as preventive maintenance, predictive maintenance and condition monitoring were utilized to ensure efficient and reliable operations of all equipments.

PROJECTS

The Company, pursuant to commissioning of Gandhar Phase-I and Phase-II projects, dedicated the Gandhar Complex to the Nation on 16th January, 2001 in the august presence of the Hon'ble Minister of Chemicals & Fertilizers - Shri Sukh Dev Singh Dhindsa and Shri Satya Brata Mukherjee, Hon'ble Minister of State for Chemicals & Fertilizers, Government of India and the Hon'ble Chief Minister of Gujarat. The commissioning of Gandhar Complex will enhance the efficiency of the Company's operations through improved economies of scale, increased integration of plant and machinery and also facilitate the Company to take advantage of the availability of cost-effective feed stocks for its existing cracker at Gandhar. The Company, in order to supplement the shortfall in feed stock supply from Gandhar gas field for its Gandhar Complex is in the process of implementing on BOOT basis the Hazira-Dahej Pipeline for receiving rich / semi-rich gas from ONGC, GAIL, Hazira to IPCL Dahej and returning the lean gas from IPCL Dahej to them. As the feed stock gas available from Gandhar and Hazira has higher CO₂ content than envisaged at the time of design, the Company is in the process of debottlenecking the gas-separation unit in the ethane/propane recovery plant of Gandhar Complex and its completion will be synchronized with the laying of Hazira-Dahej gas pipelines expected to be ready by January, 2002.

As part of the long term growth plan, the Company is in the process of increasing the capacity of the Nagothane ethylene plant from the existing 4,00,000 TPA to 5,00,000 TPA and setting up of market relevant derivative capacities. The long term growth plan also includes exploring feed stock options for capacity optimization and technology feasibility for increasing the capacity of Nagothane and Dahej based gas cracker units upto 6,00,000 TPA and downstream expansions. There are several other proposals for further upgradation and improvement of infrastructure which are engaging the management's attention.

JOINT VENTURES

The Company, on reviewing its investments in non-core business, has decided to pull out of GE Plastics India Limited and Indian Vaccines Corporation Limited since they have not contributed significant returns to the Company and there is little business synergy. The Department of Biotechnology has however, identified Cadila Pharmaceuticals Limited as a strategic partner to set up other Research Projects to revive the joint venture - Indian Vaccines Corporation Limited - and efforts to find an amicable solution are under way. The proposed Methyl Methacrylate (MMA) / Poly Methyl Methacrylate (PMMA) project was to be based on the acrylonitrile project at Gandhar Complex. Since the project is yet to take off, your Company has decided to wind up the joint venture company, Indian Petrovin Limited floated for the MMA/PMMA project.

Your Company has taken a major equity role in the modern liquid cargo handling port terminal facility viz. Gujarat Chemical Port Terminal Company Limited. The port has been commissioned and will open up opportunities for international trade in chemicals in a big way. In view of the strategic importance of the port, the Company has increased its stake from the present 30% to 37% as part of its consolidation strategy.

WILDLIFE

The Company's Vigilance Cell continued to contribute towards achieving transparency and objectivity in running the affairs of the Company. As per directions of the Central Vigilance Commission, the Vigilance Cell observed Vigilance Awareness Week to educate the people about the dangers of corruption and sensitize them to the evil consequences of corruption. The week was observed by taking a pledge, followed by awareness programmes such as display of banners at various locations, organizing seminars, lectures, publications of journals etc. The Vigilance Cell published a newsletter "Vigil" with an objective to create an inbuilt vigilance function in the Company's working system and organized a Vigilance Meet for closer interaction on various problems being faced by the marketing officers and to find solutions for tackling them. Shri V. S. Mathur, Vigilance Commissioner, Central Vigilance Commission, visited the Corporation and in his address to the senior executives emphasized the need for effective operating systems through greater accountability, transparency and role clarity.

INVESTOR RELATIONS

The Company has over 1.80 lakh shareholders. The main source of information for the shareholders is the annual report which, *inter-alia*, includes the reports of the Board of Directors, operational and financial review and the audited financial results. The company recognizes the importance of regular dialogue with its shareholders to ensure that the Company's strategy is clearly understood. The shareholders are intimated through the press and the Company's worldwide web site www.ipcl.co.in of the quarterly performance and financial results of the Company. The shareholders attend the annual general meeting at which the business outlook is presented and relevant aspects of the Company's operations are discussed. The Investors' Service Centre serves as a contact point for shareholders.



on issues such as share transfers, dividends and announcements. The annual report contains general shareholders' information including the shareholding pattern, pattern of distribution of shareholders and the high and low, monthly averages of the equity share price during the year on The Stock Exchange, Mumbai and the National Stock Exchange (NSE). The Company communicates with its institutional share holders through a combination of analysts' briefings and individual discussions between the fund managers and the management team. The Company has paid listing fees upto the year 2001-02 to all the Stock Exchanges on which the Company's equity and bonds are listed.

STATUTORY INFORMATION AND DISCLOSURES

The information in accordance with the provision of Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in **Annexure I** forming part of this report. As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rule, 1975, as amended, the names and other particulars of the employees are to be set out in the Annexure to the Director's Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

CORPORATE GOVERNANCE

The Company is professionally managed and has consistently adopted good corporate governance. The Company has voluntarily complied with a substantial portion of the Code on Corporate Governance in the year ended March 31, 2000 itself. The Company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and equity in all facets of its operations and interactions with shareholders, employees, Government and lenders. A report on Corporate Governance as per SEBI directives and Stock Exchange listing requirements is given in **Annexure II** forming part of this Report together with the Statutory Auditors' Certificate on Corporate Governance.

BOARD OF DIRECTORS

Shri Ashok Chawla, Joint Secretary (Petrochemicals), Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers, Government of India continues to hold additional charge of the post of Chairman-cum-Managing Director.

S/Shri Vijay Ranchan and Vishwas Dhumal, nominee of the Government of Gujarat and Maharashtra respectively hold office as part time official Directors on the Company's Board of Management until the conclusion of this annual general meeting and are eligible for reappointment.

S/Shri S. M. Datta, D. Basu, Rajendra Gupta and Dr. J. S. Juneja part time non-official Directors hold office until the conclusion of this annual general meeting.

In accordance with Article 76 (2) of the Company's Articles of Association, Shri S. K. Anand, whole time Director in-charge of plant operations retires by rotation and being eligible, offers himself for reappointment.

Shri S. B. Shah has been appointed as Director (Finance) by the Government of India, and holds office as Additional Director until the conclusion of the Annual General Meeting; and, his appointment as Director is recommended to the shareholders for approval. Shri Shah, a Chartered Accountant by profession is associated with the Company for nearly three decades and prior to his elevation as Director (Finance), he was Executive Director incharge of entire financial operations of the Company.

In compliance of the Listing Agreement, a brief resume of the Directors proposed for appointment, their expertise in specific function areas, together with the name of the Companies on which they are directors is given in **Annexure - III** of the Directors' Report.

AUDITORS

The Government of India, Department of Company Affairs, based on the advice of the Comptroller and Auditor General of India, appointed Kantilal Patel & Company, Chartered Accountants, Ahmedabad as Statutory Auditors and the following firms of Chartered Accountants as Branch Auditors for Regional Offices situated at various locations for the financial year 2000-01.

- i) Girish Murthy and Kumar, Chartered Accountants, Bangalore, for Regional Offices at Bangalore and Chennai.
- ii) Chhotatal H. Shah & Company, Chartered Accountants, Mumbai, for Regional Offices at Mumbai, Vadodara and Ahmedabad.
- iii) A. K. Barman & Associates, Chartered Accountants, Kolkata, for Regional Office at Kolkata.
- iv) H. K. Chaudhary & Company, Chartered Accountants, New Delhi, for Regional Offices at New Delhi and Ludhiana.

Audit Review

The comments of the Comptroller & Auditor General of India (CAG), Review of the Accounts for the period ended 31st March, 2001 by the CAG, Statutory Auditors' Report to the Members and Comments of the Board of Directors thereon are annexed hereto and form part of this Report as required under Section 217 (3) of the Companies Act, 1956. The management-replies to the Statutory Auditors' observations are given in the Schedule pertaining to the accounting policies and notes on accounts which is self explanatory.

Auditors' Remuneration

In accordance with Section 224 of the Companies Act, 1956 amended by the Companies (Amendment) Act, 2000, the remuneration of Auditors to be appointed under Section 619 by the Comptroller and Auditor General of India, is required to be fixed by the Company in a general meeting or, in such manner, as the Company in general meeting may determine. Accordingly, an Ordinary Resolution under the Ordinary Business has been recommended by the Board for fixing the remuneration of the statutory and branch auditors for 2001-02 to be appointed by the Central Government on the recommendations of the Comptroller and Auditor General of India for consideration by the shareholders.

Cost Auditors

In compliance of the provisions contained in section 233 (1-B) of the Companies Act, 1956 and approval of the Government of India, Practising Cost Accountants were appointed as Cost Auditors for Vadodara, Nagothane and Gandhar Complexes respectively for the year 2000-01 to carry out cost audit of selected products.