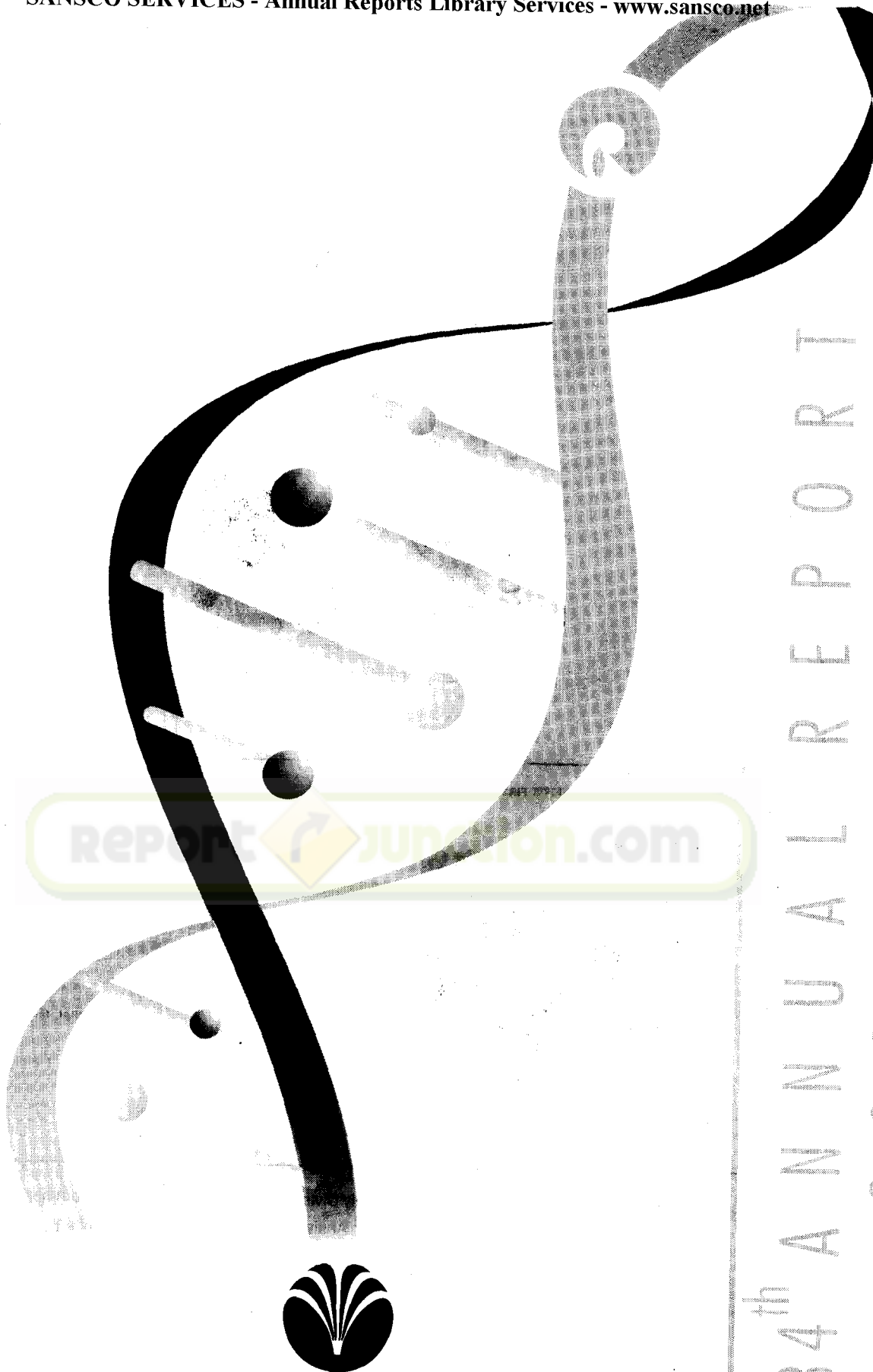
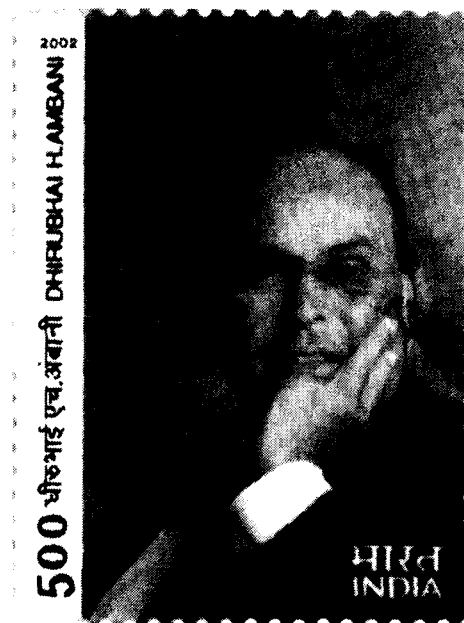


ENGINEERED FOR THE FUTURE

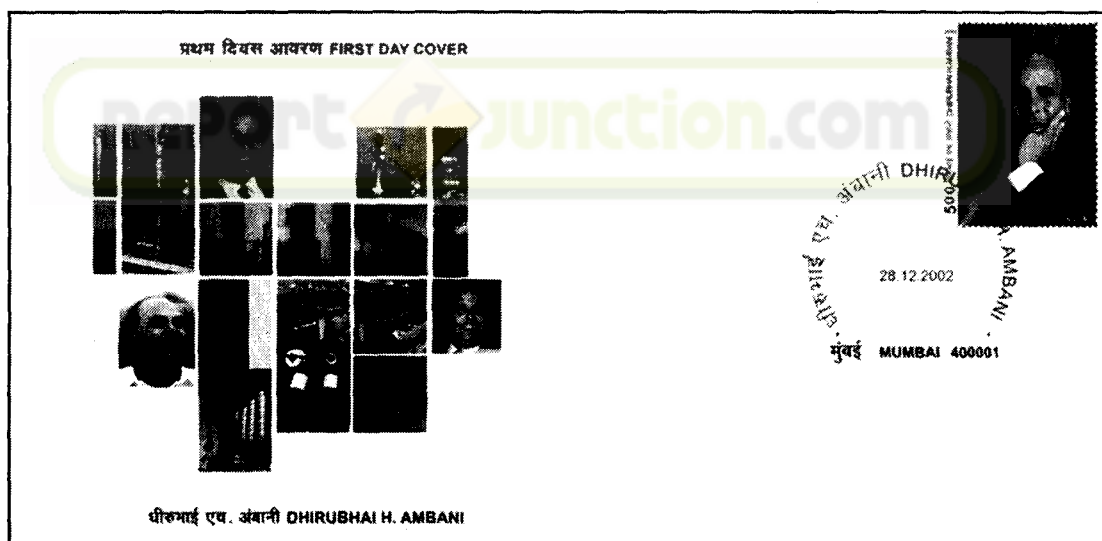


Indian Petrochemicals Corporation Limited

34th ANNUAL REPORT
2002 - 2003



Postal Stamp issued on 28th December, 2002



Commemorative First Day Cover issued by Philately Division, Department of Posts, Government of India
on 28th December, 2002, the 70th Birth Anniversary of Shri Dhirubhai H. Ambani

Highlights – 2002 - 03

Gross Turnover – Rs 9,921 crore
(US \$ 2,089 million)

Operating Profit (PBDIT) – Rs 1,143 crore
(US \$ 241 million)

Cash Profit – Rs 698 crore
(US \$ 147 million)

Net Profit – Rs 204 crore
(US \$ 43 million)

Total Assets – Rs 8,054 crore
(US \$ 1,696 million)

Earnings Per Share (EPS) - Rs 8.23
(US \$ 0.2)

Board of Directors

Mukesh D. Ambani	-	Chairman
Anil D. Ambani		
Nikhil R. Meswani		
Anand J. Jain		
Kamal P. Nanavaty		
Ashok Chawla		
Harish Chandra Gupta	-	(Upto 3.12.2002)
Ramesh Inder Singh	-	(From 9.12.2002)
R. S. Lodha		
Shailesh V. Haribhakti		
Lalit Bhasin		
Sandeep H. Junnarkar		
Sandesh K. Anand	-	Wholetime Director

Company Secretary

A. Parthasarthy Naidu

Auditors

Deloitte Haskins & Sells

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

Registered Office

P.O. Petrochemicals
Vadodara 391 346, Gujarat, India
Tel: (0265) 2265091
Fax: (0265) 2266164
Email: InvestorRelations.Corporate@ipcl.co.in
Internet: http://www.ipcl.co.in

Contents

Page No.

Performance Highlights	3
Company Information	4
Letter to Shareholders	5
Notice	6
Management Discussion and Analysis	9
Corporate Governance and Shareholder information	15
Directors' Report	23
Annexure to Directors' Report	25
Auditors' Report / Annexure to Auditors' Report	28
Balance Sheet	30
Profit and Loss Account	31
Schedules forming Part of Balance Sheet and Profit and Loss Account	32
Notes on Accounts	42
Cash Flow Statement	50
Circular to the Shareholders	52
Nomination Form	53
Attendance Slip and Proxy Form	55

Manufacturing facilities

- **Catalysts and Adsorbents Division (CATAD)**
R-282, TTC, MIDC, Rabale
Navi Mumbai 400 701, Maharashtra
- **Gandhar Complex**
P.O. Dahej
Bharuch 392 130, Gujarat
- **Nagothane Complex**
P.O. Petrochemicals Township, Nagothane
Raigad 402 125, Maharashtra
- **Vadodara Complex**
P.O. Petrochemicals
Vadodara 391 346, Gujarat

Registrar & Transfer Agents

- **Karvy Consultants Limited**
46, Avenue 4, Street No. 1, Banjara Hills
Hyderabad 500 034, India.
Tel: +91-40 23320666, 23320711, 23323031, 23323037
Fax: +91-40 23323058
Email: ipcl@karvy.com
Internet: http://www.karvy.com

**34th Annual General Meeting will be held on Friday, the 13th day of June, 2003 at 2.00 p.m.
at Prof. Chandravan Mehta Auditorium, General Education Centre, Opp: D. N. Hall,
The Maharaja Sayajirao University of Baroda , Pratapganj, Vadodara 390 002**

Letter to Shareholders



Dear Shareowners,

I write this letter, at the end of the first year of IPCL's performance under the management of Reliance, with a deep sense of satisfaction. There has been a marked improvement in IPCL's performance in all operational and financial parameters. While top line growth has been 16% at Rs 9,921 crore, the bottom line has sharply increased by 90% to Rs 204 crore. As a consequence, earnings per share have almost doubled to 8.23 rupees per share.

This discernable performance comes on the back of a strong emphasis on costs, productivity and efficiency and by bringing into play synergies between IPCL and Reliance. Several benefits in

integrating operations between the two companies have been conceptualised and realised.

This is a beginning. In the short term, our efforts would continue in taking forward the process of operational integration. Over the medium term, it will be our endeavour to graduate IPCL to a world-class organisation addressing not only product-market opportunities in India and other parts of the world, but also to benchmark IPCL with global standards in all disciplines. Over the long term, we will seek new avenues for growth and value creation. In this endeavour, IPCL and Reliance would work synchronously and synergistically, mutually reinforcing either company's strengths.

IPCL has become a shining example of a successful disinvestment initiative of the Government of India. IPCL also becomes a worthy forerunner in the Government's privatisation programme.

Successful mergers and acquisitions go beyond operational, financial and management constructs. Cultural integration is crucial to seamless performance. Reliance has been careful to address this imperative. Both companies have similar operational ethos, fervent focus on growth, strong social standing and an impressive identity in nation-building. We have also been fortunate to have a government resolute in its understanding and support. Above all, the confidence imposed in our capabilities by shareholders of IPCL has been comforting.

At this time in IPCL's history, when acquisition ascends to accomplishment, I would like to thank you for your unstinted support and unfailing trust.

I look forward many more years of a successful relationship.

With best wishes

Sincerely

Mukesh D. Ambani
Chairman

Notice

Notice is hereby given that the Thirty-fourth Annual General Meeting of the Members of Indian Petrochemicals Corporation Limited will be held on Friday, the 13th day of June, 2003 at 2.00 p.m. at Prof. Chandravadan Mehta Auditorium, General Education Centre, Opp: D. N. Hall, The Maharaja Sayajirao University of Baroda, Pratapganj, Vadodara 390 002 to transact the following business:

Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31st March, 2003, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Shri Mukesh D. Ambani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Nikhil R. Meswani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Anand J. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, as Auditors and to fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 224A and all other applicable provisions of the Companies Act, 1956, M/s. Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as shall be fixed by the Board of Directors."

Special Business

7. To consider and, if thought fit, to pass, with or without modification(s) the following Resolution as an **Ordinary Resolution**:
"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956, Shri Ramesh Inder Singh, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office upto the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. To consider and, if thought fit, to pass, with or without modification(s) the following Resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 [including any statutory modification(s) or re-enactments thereof for the time being in force], the Securities Contracts

(Regulation) Act, 1956 and the Rules framed thereunder, Listing Agreements and all other applicable rules, regulations and guidelines and subject to the approval(s), consent(s), permission(s) or sanction(s) of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approval(s), permission(s) and sanction(s), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof constituted by the Board) the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from all or any of the Stock Exchanges at Ahmedabad, Bangalore, Kolkata, Chennai, New Delhi and Vadodara."

By Order of the Board of Directors

(A. Parthasarathy Naidu)
Company Secretary

Mumbai, 12th May, 2003

Registered Office:
P.O. Petrochemicals
Vadodara 391 346, Gujarat, India.

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. An Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business to be transacted at the meeting is annexed hereto.
3. Shareholders are requested to bring their copy of the Annual Report to the meeting.
4. Members / Proxies should bring the Attendance Slip, duly filled in, for attending the meeting.
5. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members, who hold shares in dematerialised form, are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form, are requested to write their Folio Number in the Attendance Slip for attending the meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to and inclusive of the date of the Annual General Meeting.
8. (a) The Company has already notified closure of Register of Members and Share Transfer Books from Tuesday, the 27th May, 2003 to Saturday, the 31st May, 2003 (both days inclusive) for payment of dividend on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.

- (b) Dividend on Equity Shares will be paid on or after 14th June, 2003.
- (c) Members may please note that the Dividend Warrant is payable at par at the designated branches of the Bank printed on the reverse side of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation, is payable only at centres / limited branches of the said Bank. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
9. (a) In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form, are requested to intimate Karvy Consultants Limited, the Company's Registrar & Transfer Agents, under the signature of the Sole/First joint holder, the following information for printing on the Dividend Warrants.
- Name of Sole/First joint holder and Folio No.
 - Particulars of Bank Account viz.
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with PIN Code Number
 - Account type, whether Savings (SB) or Current Account (CA)
 - Bank Account number allotted by the Bank.
- (b) 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 and the Company will not entertain any direct request from such members for deletion of / change 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 for payment of dividend in respect of shares held in electronic form. Members, may therefore, give instructions regarding bank accounts, directly to their Depository Participants.
10. Electronic Clearing Service (ECS) Facility:
- With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic and physical forms, residing in the following cities.
- Agra, Ahmedabad, Amritsar, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Coimbatore, Delhi, Guwahati, Hyderabad, Indore, Jaipur, Kanpur, Kochi, Kolhapur, Kolkata, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Nagpur, Panaji, Patna, Rajkot, Surat, Thiruvananthapuram and Vadodara.**
- Shareholders holding shares in the physical form, who wish to avail ECS (Electronic Clearing Service) facility may authorise the Company with their ECS mandate in the prescribed form which may be obtained from the Registrar & Transfer Agents – Karvy Consultants Limited on request. The requests for payment of dividend through ECS for the year 2002-03, should be lodged with Karvy Consultants Limited on or before 31st May, 2003.
11. The Company has already transferred all unclaimed dividends declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Shareholders

who have so far not claimed or collected their dividends up to the aforesaid financial year are requested to claim their dividend from the Registrar of Companies Gujarat, ROC Bhavan, Opp: Rupal Park, Near Ankur Bus Stop, Naranpura, Ahmedabad-380 013, Tel No. 27437597/27438531, Fax No. 27428785 in the prescribed form, which will be furnished on receipt of request by the Registrar & Transfer Agents – Karvy Consultants Limited.

12. Pursuant to provisions contained in Section 205A and 205C of the Companies Act, 1956, the Company has transferred interim dividend for the financial year ended 31st March, 1996 remaining unclaimed for a period of seven years from the date it first became due for payment to the Investor Education and Protection Fund (IEPF) constituted by the Central Government and no claim shall lie against the IEPF or the Company in respect of individual amount(s) so credited to the IEPF.

Pursuant to the provisions of the Companies Act, 1956, final dividend for the financial year ended 31st March, 1996 and dividends declared thereafter, which remain unclaimed for a period of seven years, will be transferred by the Company to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividends due for transfer to the said fund is given below:

Financial year Ended	Date of declaration of dividend	Last date for claiming unclaimed dividend	Due date for transfer to IEPF
31.3.1996(Final)	25.9.1996	24.09.2003	24.10.2003
31.3.1997	26.9.1997	25.09.2004	25.10.2004
31.3.1998	29.9.1998	28.09.2005	28.10.2005
31.3.1999	29.9.1999	28.09.2006	28.10.2006
31.3.2000	28.9.2000	27.09.2007	27.10.2007
31.3.2001	27.9.2001	26.09.2008	26.10.2008
31.3.2002	27.9.2002	26.09.2009	26.10.2009

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar & Transfer Agents, Karvy Consultants Limited immediately.

Shareholders are requested to note that no claims shall lie against the said fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of 7 (seven) years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

13. Non-resident Indian shareholders are requested to inform M/s. Karvy Consultants Limited immediately :
- The change in the residential status on return to India for permanent settlement;
 - The particulars of Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
14. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are advised to send a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Meeting.
15. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Registrar & Transfer Agents the details as required in Form 2B, which is attached for this purpose. The said Form 2B can also be downloaded from the Company's website "www.ipcl.co.in".

16. Re-appointment / Appointment of Directors:

At the ensuing Annual General Meeting Shri Mukesh D. Ambani, Shri Nikhil R. Meswani and Shri Anand J. Jain, Directors, retire by rotation and, being eligible, offer themselves for re-appointment. Shri Ramesh Inder Singh is proposed to be appointed as Director liable to retire by rotation. The information or details pertaining to these Directors to be provided in terms of clause 49 of the Listing Agreement are furnished in the Statement on Corporate Governance published in this Annual Report.

Explanatory Statement under Section 173(2) of the Companies Act, 1956**Item No. 6**

The appointment of Auditors and fixing their remuneration is an item of ordinary business to be transacted at the Annual General Meeting. Accordingly, it has been included under the heading 'Ordinary Business'. In accordance with the provisions of Section 224A of the Companies Act, 1956, it is necessary to pass a Special Resolution for appointment of the Auditors as more than 25 per cent of the subscribed share capital of the Company, is held by the Central Government.

The Company has received from M/s. Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors of the Company, certificate to the effect that their appointment as Statutory Auditors, if made, would be within the limits prescribed in Section 224(1B) of the Companies Act, 1956. Further they have also confirmed that they are not disqualified from being appointed as Auditors under Section 226 of the Companies Act, 1956 and are not holding any securities of the Company.

The Directors commend the special resolution for members' approval. None of the Directors of the Company is, in any way, concerned or interested in this Resolution.

Item No. 7

Shri Ramesh Inder Singh, IAS, Joint Secretary (Chemicals), Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers has been nominated by the Government of India in place of its earlier nominee Shri H. C. Gupta. Pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 93 of the Articles of Association of the Company, the Board of Directors appointed Shri Ramesh Inder Singh as an Additional Director with effect from 9th December 2002. Shri Ramesh Inder Singh holds office as Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a Notice, along with a deposit of Rs. 500 (Rupees five hundred only) under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Ramesh Inder Singh for the office of Director of the Company.

Shri Ramesh Inder Singh is currently a Director on the Board of Hindustan Organic Chemicals Limited and Hindustan Insecticides Limited and is having wide experience to his credit in administrative and corporate affairs.

Keeping in view his vast experience and knowledge, the Directors commend the Resolution for members' approval.

Save and except Shri Ramesh Inder Singh, none of the other Directors of the Company is, in any way, concerned or interested in this Resolution.

Item No. 8

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any other person from the Stock Exchanges.

Presently, the Company's equity shares are listed on the following eight Stock Exchanges:

1. The Stock Exchange, Mumbai
2. National Stock Exchange of India Limited, Mumbai
3. The Stock Exchange, Ahmedabad
4. Bangalore Stock Exchange Limited
5. The Calcutta Stock Exchange Association Limited
6. The Delhi Stock Exchange Association Limited
7. Madras Stock Exchange Limited
8. Vadodara Stock Exchange Limited (the Regional Stock Exchange).

With the extensive networking of The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE), and the extension of the BSE/NSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. The bulk of the trading in the Company's equity shares in any case takes place on the BSE and the NSE, and the depth and liquidity of trading in the Company's equity shares on all other Stock Exchanges are lower.

The Company's equity shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors, since 1st April, 1999. It is also observed that the listing fee paid to Stock Exchanges other than BSE and NSE is disproportionately high compared to the extremely low trading volumes of the Company's securities on those Exchanges. The Company has proposed this resolution, which will enable it to delist its equity shares at any time in future from all or any of the following Stock Exchanges :

1. The Stock Exchange, Ahmedabad
2. Bangalore Stock Exchange Limited
3. The Calcutta Stock Exchange Association Limited
4. The Delhi Stock Exchange Association Limited
5. Madras Stock Exchange Limited
6. Vadodara Stock Exchange Limited (the Regional Stock Exchange).

The Company's equity shares will continue to be listed on The Stock Exchange, Mumbai and the National Stock Exchange of India Limited after the proposed delisting.

Your Directors commend the Special Resolution for members' approval.

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

By Order of the Board of Directors

(A. Parthasarthy Naidu)
Company Secretary

Mumbai, 12th May, 2003

Registered Office:
P.O. Petrochemicals
Vadodara 391 346, Gujarat, India.

Management Discussion and Analysis

Forward – Looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Overall Review

Change in Management Control

On 4th June, 2002, Reliance Petroinvestments Limited (RPiL), a member of the Reliance group, entered into a Shareholders' Agreement with the Government of India (GOI) and acquired from GOI a part of its shareholding in IPCL, constituting 6.45 crore shares, representing 26% of the total voting capital of IPCL, at a price of Rs 231 per share by payment in cash. Pursuant to the acquisition of the above shares by RPiL, the GOI's shareholding in IPCL stood reduced to 8.43 crore equity shares, representing 33.95% of IPCL's total voting capital.

Upon substantial acquisition of shares and change in control / management of IPCL, and in accordance with Regulations 10 and 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and subsequent amendments thereof, RPiL made an open offer to the shareholders of IPCL and acquired 4.96 crore shares, representing 20% of the total voting capital, at a price of Rs 231 per share. RPiL thereby increased its equity stake in the Company to 46%.

Improvements post change in Management control

The benefits of change in management control are visible from the Company's performance in the very first year after the acquisition. During the year under review, IPCL's three manufacturing sites, namely, Vadodara Complex, Gandhar Complex and Nagothane Complex have recorded 14%, 29% and 9% increase in production respectively over the previous year, resulting in overall production growth of 18%.

Steps have been taken to utilise all internally available low commercial value hydrocarbons as feedstock or fuel, thereby reducing external purchases. Internal recycling of hydrocarbon streams, as well as burning of low value hydrocarbon, has resulted in significant savings during the year under review.

A comprehensive linear programming model for the entire Company has been developed and implemented, for optimising manufacturing operations of all the three complexes in terms of feedstock selection, internal unit transfers of hydrocarbon streams and product mix optimization, thereby maximising olefin chain value addition for IPCL.

Net sales realisation for all major products has increased as compared to the previous year, as a result of initiatives for strengthening customer relationships. This has contributed to improvement in operating margins.

The IT facilities and MIS have been recast in line with the best standards, and SAP system has been introduced in all the complexes with attendant benefits of enhanced efficiency at all levels.

The Company and its shareholders, workers and employees will continue to benefit from Reliance's proven vision and management strengths, established project execution capabilities, and demonstrated track record of consistent operational and financial performance. The Company will also significantly benefit from Reliance's financial engineering skills, its capability to access capital at the most competitive terms and to optimise financial costs.

The Company will be in a position to leverage Reliance's proven capabilities of achieving optimal plant capacity utilisation, through operational efficiencies, and low cost de-bottlenecking of capacities. The Company will also enjoy the benefit of Reliance's strong relationship with customers, technology and equipment suppliers, and other constituents, in the domestic and international markets.

Financial Review

IPCL's Gross Turnover (Turnover and Inter Divisional Transfers) for the year ended March 31 2003 increased to Rs 9,921 crore (US\$ 2,089 million), against Rs 8,524 crore for the previous year.

Inter Divisional Transfers were Rs 4,123 crore (US\$ 868 million), against Rs 2,997 crore for the previous year.

Turnover for the year, excluding excise duty recovered on sales, increased 6 % to Rs 5,029 crore. The increase reflects the impact of an increase of 5.8% in product selling prices and 0.2% in sales volume.

Domestic sales accounted for 95% of Gross Turnover

Exports for the year were Rs 424 crore (US\$ 89 million) as against Rs 184 crore for the previous year, an increase of 130%.

IPCL's operating profit, before other income, increased to Rs 1,038 crore (US\$ 219 million) during the year, compared to Rs 742 crore during the previous year.

IPCL's operating margin for the year improved to 10.5% against 8.7% for the previous year, as a result of :

- Higher volumes
- Higher product selling prices
- Continued focus on cost, productivity and efficiency

Other income for the year was Rs 105 crore (US\$ 22 million), compared to Rs 132 crore for the previous year, mainly due to lower investments.

Interest expense excluding Finance Charges on Leased Assets, for the year stands reduced by 22% to Rs 296 crore (US\$ 62 million), primarily owing to refinancing of high cost debt.

Depreciation for the year was higher by 7% at Rs 454 crore (US\$ 96 million), as against Rs 424 crore for the previous year,

owing to charge of depreciation on leased assets capitalised during the current financial year.

IPCL's corporate Income Tax liability for the year was Rs 19 crore (US\$ 4 million), which was limited to the impact of the Minimum Alternate Tax (MAT).

Cash profits increased to Rs 698 crore (US\$ 147 million), against Rs 540 crore for the previous year, registering a growth of 29%.

Up to 31st March 2002, the Company had provided for deferred tax at the minimum alternate rate of tax, which was highlighted in the Auditors' Report for that year. During the current year, the Company has provided for the deferred tax liability at normal income tax rates for the year ended 31st March 2002 of Rs 33 crore. In addition, deferred tax liability of Rs 6 crore for the current year has been provided, aggregating to a total provision of Rs 39 crore in the Profit and Loss account for the year under review.

The shortfall of Rs 683 crore in the provision for deferred tax as at 1st April 2001 has been charged to revenue reserves.

Net profit after tax for the year increased 90% to Rs 204 cores (US\$ 43 million).

IPCL's paid up equity share capital stood at Rs 249 crore (US\$ 52 million)

Earnings Per Share (EPS) were Rs 8.23 (US\$ 0.2) and Cash Earnings Per Share (CEPS) were Rs 28.10 (US\$ 0.6).

A dividend of 22.5 % has been proposed, subject to the approval of the shareholders. The corresponding dividend payout will be Rs 56 crore (US\$ 12 million), in addition to tax of Rs 7 crore payable by the Company on distribution of dividend.

Capital expenditure during the year was Rs 232 crore (US\$ 49 million), primarily as normal capital expenditure.

IPCL contributed a total of Rs 1,185 crore (US\$ 250 million) to the national exchequer in the form of various taxes.

Resources and Liquidity

During the year, IPCL's existing credit ratings were upgraded one notch to "AA" by CRISIL, reflecting CRISIL's expectation of a strong business and financial support from Reliance and IPCL's established position in the domestic polymer market.

IPCL's gross debt equity ratio, including long term and short term debt as on March 31, 2003 stood at 1.46:1.

IPCL's equity share capital stood at Rs 249 crore (US\$ 52 million), and Reserves and Surplus as on March 31, 2003 aggregated to Rs 2,036 crore (US\$ 429 million).

The Company's long term debt as on March 31, 2003 stood at Rs 1,778 crore (US\$ 374 million). Of this debt, 23% represented foreign currency denominated debt.

Taking advantage of the soft interest rate environment in the country, the Company prepaid several high cost loans viz. World Bank loan of Rs 435 crore, I Series debentures of Rs 450 crore, Fixed deposits of Rs 33 crore, GOI loan of Rs 36 crore and Standard Chartered Bank loan of Rs 22 crore.

IPCL meets its working capital requirements through commercial credit lines provided by a consortium. The credit lines are fixed annually and renewed on a quarterly basis.

In addition, IPCL issues short term debt in the form of Commercial Paper, fixed floating rate bonds in Indian Rupees and also avails FCNRB loans in foreign currency.

IPCL's short-term debt programme is rated P1+ by CRISIL, the highest credit rating that may be assigned to this category of instruments.

Business Review

Polymers (PE, PVC, PP and PBR)

Overall consumption of polymers decreased 5% during the year compared to a growth of 19% during the last year. All the polymer products registered negative growth in consumption - PE growth was negative 2%, PVC growth was negative 8% while PP growth was negative 6%.

PE production increased 8% and capacity utilisation was 100%. PP production registered a growth of 6% and capacity utilisation was over 124%. PVC capacity utilisation was over 109%.

For the first time, PBR production has exceeded the plant capacity following increased availability of C4 supplies. Upswing in prices of Butadiene and PBR in the international markets and natural rubber in the domestic market, coupled with a recovery in the domestic automobile sector resulted in higher sales during the year.

	(Production in KT)	
	2002-03	2001-02
Polymers	1018	961

The Company developed and introduced new polymer grades resulting in increased market acceptance. New grades introduced in the market this year and their end-use application is given below.

Polymer	Grade	Sector
LLDPE	LL20FW010	Film
PP	AMI250N	Moulding
	AMI080N	Moulding
	AEI250N	Extrusion
PVC	57GER068	Calendering

Besides, higher quality standards were also achieved in several other grades in line with customer requirements. Packaging of LLD/HD was changed to raffia bags resulting in cost savings and reduction of wastage.

Cracker Products

IPCL operates one Naphtha based Cracker at its complex at Vadodara and two gas based Crackers one each at Dahej - Gujarat and Nagothane - Maharashtra.

During the year, Cracker products registered a growth of 19% in production.