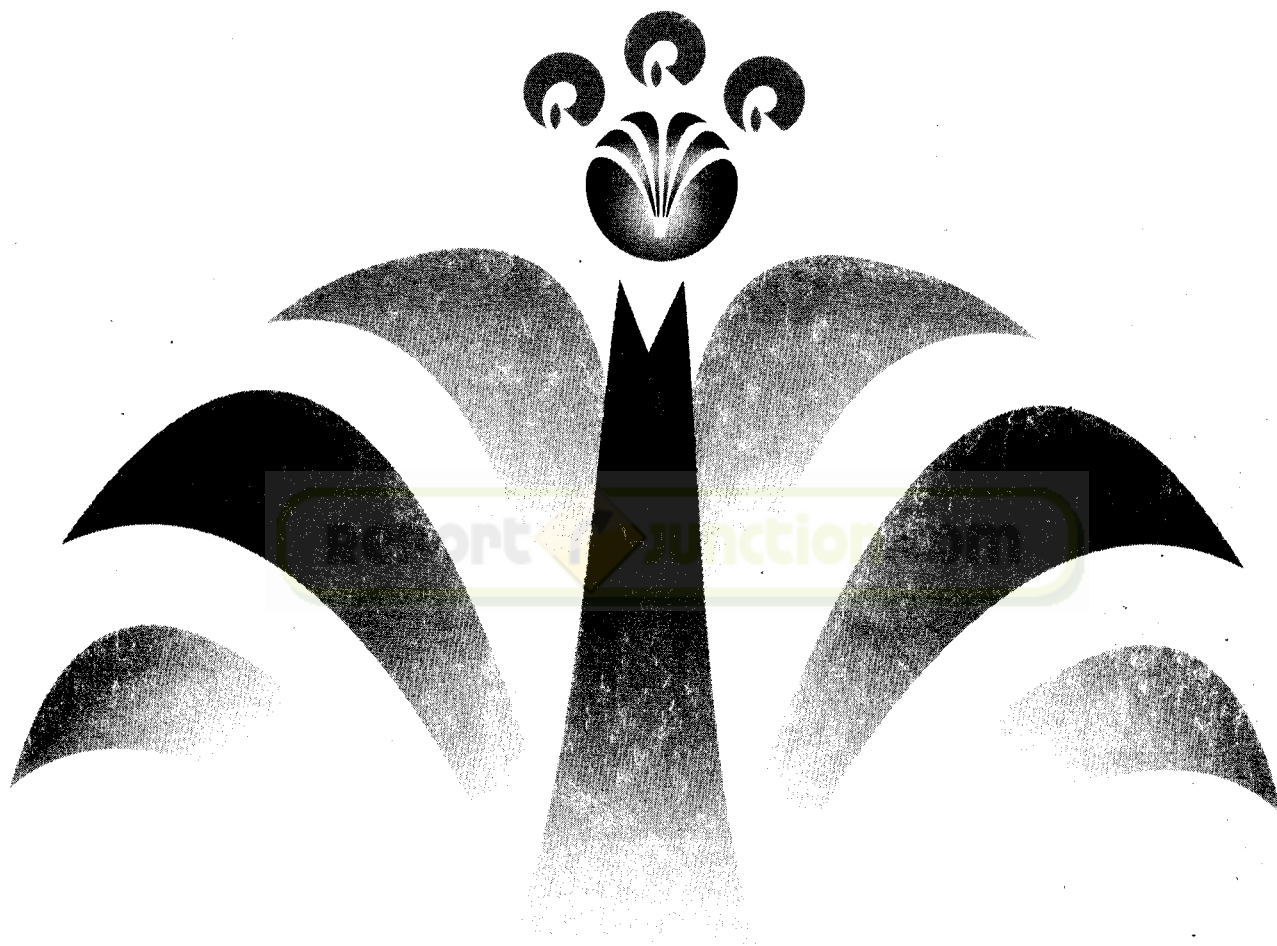


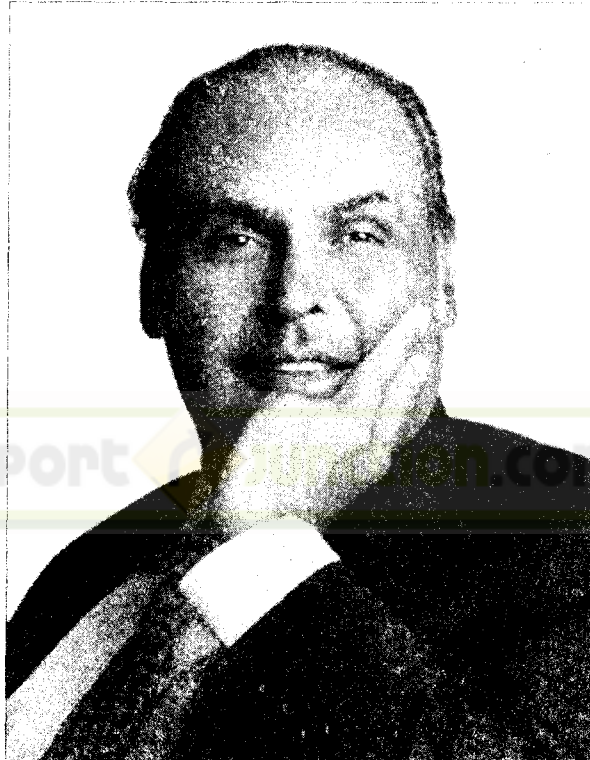
ENGINEERED FOR THE FUTURE

# 35th ANNUAL REPORT

2003-04



**Indian Petrochemicals Corporation Limited**



**Shri Dhirubhai H. Ambani**  
Founder Chairman  
**Reliance Industries Limited, India**  
December 28, 1932 - July 6, 2002

## **Highlights – 2003 – 04**

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*Gross Turnover – Rs. 13,541 crore*

*(US \$ 3,097 million)*

*Operating Profit (PBDIT) – Rs. 1,251 crore*

*(US \$ 286 million)*

*Cash Profit – Rs. 801 crore*

*(US \$ 183 million)*

*Net Profit – Rs. 273 crore*

*(US \$ 62 million)*

*Total Assets – Rs. 7,222 crore*

*(US \$ 1,652 million)*

*Earnings Per Share (EPS) - Rs. 11.02*

*(US \$ 0.3)*

**Board of Directors**

Mukesh D. Ambani	-	Chairman
Anil D. Ambani	-	Vice-Chairman
Nikhil R. Meswani		
Anand J. Jain		
Kamal P. Nanavaty		
Ashok Chawla	-	(up to September 19, 2003)
Ramesh Inder Singh		
Gurdial S. Sandhu	-	(from October 13, 2003)
R. S. Lodha		
Shailesh V. Haribhakti		
Lalit Bhasin		
Sandeep H. Junnarkar		
Sandesh K. Anand	-	Whole-time Director

**Deputy Company Secretary**

Shashikala Rao

**Auditors**

Deloitte Haskins &amp; Sells

**Bankers**

State Bank of India

Bank of India

Bank of Baroda

State Bank of Saurashtra

HDFC Bank Limited

Bank of America

Citibank N. A.

Standard Chartered Bank

ABN AMRO Bank

**Registered Office**

P.O. Petrochemicals  
Vadodara 391 346, Gujarat, India  
Tel: (0265) 3067 221 -30  
Fax: (0265) 3067 333  
Email: InvestorRelations.Corporo@ipcl.co.in  
Internet: http://www.ipcl.co.in

**Contents**

Page No.

Performance Highlights	3
Company Information	4
Chairman's letter to Shareholders	5
Notice	6
Management Discussion and Analysis	9
Statement on Corporate Governance	15
Directors' Report	22
Annexure to Directors' Report	24
Auditor's Report	27
Annexure to Auditor's Report	28
Auditor's Certificate	29
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	49
Nomination Form	51
Attendance Slip and Proxy Form	53
List of Investor Service Centres	55

**Manufacturing facilities**

- **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

**Registrars & Transfer Agents**

- Karvy Computershare Private 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

## Chairman's letter to Shareholders



My dear Shareowners,

The financial year ended March 31, 2004 was the first full year of operation of IPCL under the management of Reliance. During the year we continued to focus on improving productivity on all fronts and enhancing overall value for shareholders. The results of these efforts are before us. I am pleased to inform you that IPCL's turnover increased by 36% to Rs.13,541 crore and net profit for the year increased by 34% to Rs. 273 crore. The Company's outstanding debt reduced by Rs. 1,161 crore during the year, leading to reduction in interest burden by 25%. The company's financials were put on a solid footing and the debt equity ratio now stands at a healthy 1.2:1.

The highlight during the year was a reduction of Government of India's equity holding in IPCL from 33.945% to 5% through a public offer for sale of shares in February, 2004. The issue was oversubscribed several times reflecting the confidence of the investors. Subsequently, the Government of India has also completed a special issue of shares to the employees of IPCL at a concessional price. As a consequence of these two offers the Government of India has practically completed disinvestment of its equity in IPCL save for a nominal holding. IPCL now continues its forward march, as a member of the Reliance Group of Industries, towards increased productivity, profits and enhanced returns to all the shareholders.

Despite volatile oil markets, the petrochemical industry globally is poised for growth. Additions to global capacities are expected to be less than the demand for petrochemical products, thus signifying higher operating rates and margins for petrochemical companies. IPCL is well placed to derive full benefit from these favourable trends on the strength of its scale of manufacturing, integration and market network. We intend to build on the fundamental strength of the company and expand capacities suitably at all the three locations to achieve competitive position in the international markets. As a first step we are investing Rs. 350 crore in various de-bottlenecking programmes in the coming year to take advantage of the market situation. Further expansion plans are under our review. It is our aim to raise IPCL as one of the most competitive petrochemical producers in the world.

I would like to take this opportunity to thank you for your resolute faith in IPCL's future and confidence in its management. I look forward to your continued support for moving towards a future marked by growth and prosperity for all.

With best wishes.

Sincerely

**Mukesh D. Ambani**  
Chairman

Date : April 27, 2004

## Notice

Notice is hereby given that the Thirty-fifth Annual General Meeting of the Members of **Indian Petrochemicals Corporation Limited** will be held on Saturday, June 12, 2004 at 2.00 p.m. at the Company's R & D Auditorium, P.O. Petrochemicals, Vadodara 391 346, Gujarat to transact the following business:

### **Ordinary Business:**

1. To consider and adopt the audited Balance Sheet as at March 31, 2004, 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 Kamal P. Nanavaty, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Lalit Bhasin, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Shailesh V. Haribhakti, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:  
 "RESOLVED THAT M/s Deloitte Haskins & Sells, Chartered Accountants and M/s Chaturvedi & Shah, Chartered Accountants, 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 of the Company on such remuneration as shall be fixed by the Board of Directors exclusive of travelling and other out of pocket expenses."

### **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, if any, of the Companies Act, 1956, Shri G. S. Sandhu, who was appointed by the Board of Directors as an Additional Director of the Company and who holds office up to 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."

By Order of the Board of Directors

**Shashikala Rao**

Deputy Company Secretary

Place : Mumbai

Dated: April 27, 2004

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 of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.**
2. Explanatory Statement for Item nos. 6 and 7 of this Notice is annexed hereto.
3. Shareholders are requested to bring their copy of 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 shall be open for public inspection at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. to 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 Saturday, May 22, 2004 to Saturday, May 29, 2004 (both days inclusive) for ascertaining the shareholders entitled to receive dividend, if approved, on equity shares for the year ended March 31, 2004. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.  
 (b) The dividend on equity shares, if declared at the Annual General Meeting, will be paid on or after June 12, 2004.  
 (c) Members may please note that Dividend Warrants are payable at par at the designated branches of the Bank printed on the reverse side of the Dividend Warrant for an initial period of three months only. Thereafter, the Dividend Warrant on revalidation, is payable only at limited centres / 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 Computershare Private Limited, the Company's Registrars & Transfer Agents, under the signature of the Sole/First Joint holder, the following information for printing on the Dividend Warrants:  
 i) Name of the Sole/First Joint holder and the Folio Number



## ii) 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 Account 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 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 mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

10. Shareholders are requested to note that, pursuant to the approval granted by the Securities and Exchange Board of India, the licence of the Registrars and Share Transfer Agents of the Company has been changed from Karvy Consultants Limited to Karvy Computershare Private Limited. Accordingly, Karvy Computershare Private Limited, having their address at : 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500 034, are the Registrars & Transfer Agents of the Company.

## 11 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:

**Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Pune, Nagpur & Thiruvananthapuram.**

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 Registrars & Transfer Agents-Karvy Computershare Private Limited on request. The requests for payment of dividend through ECS for the year 2003-04 should be lodged with Karvy Computershare Private Limited on or before May 31, 2004.

12. The Company has already transferred all unclaimed dividends declared up to the financial year ended March 31, 1995 to the General Revenue Account of the Central Government as required under 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 Registrars & Transfer Agents – Karvy Computershare Private Limited.

13. Pursuant to provisions contained in Section 205A and 205C of the Companies Act, 1956, the Company has transferred final dividend for the financial year ended March 31, 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 March 31, 1997 and dividends declared thereafter, which remain unclaimed for a period of seven years, will be transferred by the Company to the 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 unpaid dividend	Due date for transfer to IEPF
31.03.1997	26.09.1997	25.09.2004	24.10.2004
31.03.1998	29.09.1998	28.09.2005	27.10.2005
31.03.1999	29.09.1999	28.09.2006	27.10.2006
31.03.2000	28.09.2000	27.09.2007	26.10.2007
31.03.2001	27.09.2001	26.09.2008	24.10.2008
31.03.2002	27.09.2002	26.09.2009	23.10.2009
31.03.2003	13.06.2003	12.06.2010	09.07.2010

Shareholders who have not so far encashed Dividend Warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrars & Transfer Agents, Karvy Computershare Private 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 they first became due for payment and no payment shall be made in respect of any such claims.**

14. Non- resident Indian shareholders are requested to inform Karvy Computershare Private 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.

15. 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.

16. 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

Registrars & 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](http://www.ipcl.co.in)

**17. Re-appointment / Appointment of Directors:**

At the ensuing Annual General Meeting Shri Kamal P. Nanavaty, Shri Lalit Bhasin and Shri Shailesh V. Haribhakti, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment. Shri G. S. Sandhu 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 Listing Agreement are furnished in the Statement on Corporate Governance published in this Annual Report.

**Explanatory Statement for Item nos. 6 and 7 set out in the Notice**

**Item No. 6**

The Members are aware that the Company has three main manufacturing complexes located at Baroda, Nagothane and Gandhar besides Regional Offices at various metros in the country. The multiple products being manufactured at these locations have substantially increased the activities and operations of the Company. Keeping in view the foregoing, it is proposed to appoint M/s Chaturvedi & Shah, Chartered Accountants, alongwith the retiring Auditor, M/s. Deloitte Haskins & Sells, Chartered Accountants as Auditors of the Company, to conduct statutory audit, and to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting subject to requisite approval being obtained from the Shareholders at the ensuing Annual General Meeting.

The Directors commend the 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 G. S. Sandhu, Joint Secretary (Chemicals), Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers has been nominated by the Government of India in place of its earlier nominee Shri Ashok Chawla. 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 G S Sandhu as Additional Director of the Company with effect from October 13, 2003. Shri G S Sandhu holds office as Additional Director up to the date of the ensuing Annual General Meeting. The Company has received a Notice, alongwith 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 G S Sandhu for the office of Director of the Company.

Shri G S Sandhu is currently a Director on the Board of Hindustan Organic Chemicals Limited and is having to his credit, vast experience 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 G. S. Sandhu, none of the other Directors of the Company is, in any way, concerned or interested in this resolution.

By Order of the Board of Directors

**Shashikala Rao**  
Deputy Company Secretary

Place : Mumbai

Dated : April 27, 2004

Registered Office:

P.O. Petrochemicals

Vadodara-391 346, Gujarat, India.



## Management Discussion and Analysis

### Forward – Looking Statement

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 realized.

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

Financial year 2003-04 was the first full year of IPCL's operations under the Reliance management. The initiatives introduced by the new management to increase capacity utilisation, reduce operating costs, improve financial management and enhance overall productivity and efficiency have resulted in improved financial and operating performance. During the year, IPCL's manufacturing complexes at Vadodara, and Gandhar recorded production increases of 4%, and 13% respectively while there was a 9% reduction in production at the Nagothane complex mainly due to unplanned shut down during last quarter of the year. IPCL's energy index, which measures energy consumed per unit of production decreased 3% to 3.65 mmKcal/MT due to improvement in fuel efficiency. The outstanding debt reduced 35 % during the year resulting in 25% reduction in interest cost. IPCL's Turnover during the year increased 36% to Rs. 13,541 crore and Net Profit increased 34% to Rs. 273 crore.

The improved financial performance was achieved despite the unplanned shutdowns at Nagothane and Gandhar complexes during the last quarter of the financial year. During this quarter, the Nagothane complex was shutdown for 21 days due to shutdown of ONGC Ltd's Uran plant, which supplies raw material ethane-propane mix to the Nagothane complex. Moreover, a fire incident at the complex during start up activities further prolonged the shutdown of the complex by 11 days. There was no damage to human life and property due to the fire incident. During the same quarter, production at the Gandhar complex was affected due to shortfall of Rich Gas supplied by GAIL Ltd. All the plants at both the complexes are currently operating at full capacity.

The overall business environment during the year remained healthy with higher demand for polymer products in the country and improving prices of petrochemical products globally.

Price of crude oil however witnessed high volatility for most of the year.

During the last quarter of the financial year, the Government of India's shareholding in IPCL reduced from 33.945% to 5% as it disinvested 28.945% of the equity shares held by it through an 'Offer for Sale' through book building process. In April 2004, the Government has, vide its Scheme dated March 26, 2004, offered all but one of the remaining shares for sale to the employees of IPCL at 1/3<sup>rd</sup> of the Public Offer Price.

A financial institution has issued a notice for initiating steps against the Company consequent to non-payment of penal interest in connection with the delay in creating mortgage / charge for the debentures duly redeemed in the earlier years. The Company has also duly satisfied the charge created for the debentures. This alleged frivolous claim is being contested and the Company expects that the claim would get quashed by the appropriate authorities.

### Financial Review

IPCL's Gross turnover (turnover and inter divisional transfers) for the year ended March 31, 2004 increased to Rs. 13,541 crore (US\$ 3,097 million), against Rs. 9,921 crore in the previous year, registering a growth of 36 %.

Gross turnover includes inter divisional transfers of Rs. 4,522 crore (US\$ 1034 million), compared to Rs. 4,123 crore last year.

Turnover includes sale of traded products of Rs. 2,224 crore (US\$ 509 million), compared to Rs. 45 crore in the previous year.

Net turnover for the year, excluding excise duty recovered on sales and sale of traded products increased 18 % to Rs. 5,874 crore. The increase reflects the impact of an increase of 13% in sales volume and 5 % in product selling price.

Domestic sales of products manufactured by IPCL accounted for 89% of Turnover excluding trading sales.

Exports including merchant exports for the year were Rs. 2,850 crore (US\$ 652 million). Export of products manufactured by IPCL was Rs. 644 crore (US\$ 147 million) compared to Rs. 424 crore in the previous year, an increase of 52 %.

IPCL's operating profit (PBDIT) for the year was Rs. 1,251 crore (US\$ 286 million) compared to Rs. 1,143 crore in the previous year.

IPCL's operating margin (excluding other income) for the year was marginally lower at 10.7% compared to 11% in the previous year despite significant increase in feedstock costs during the last quarter on account of shortage of gas.

Other income for the year was Rs. 101 crore (US\$ 23 million), compared to Rs.102 crore for the previous year.

Interest expense for the year stands reduced by 25% to

Rs. 222 crore (US\$ 51 million), primarily due to reduction in outstanding debt.

Depreciation for the year was higher by 4 % at Rs. 472 crore (US\$ 108 million), compared to Rs. 455 crore for the previous year, due to insurance spares capitalized in line with the clarification issued by the Institute of Chartered Accountants of India on Accounting Standard (AS-2) on valuation of inventories.

Profit before extraordinary, non-recurring items and tax increased 50 % to Rs. 480 crore (US\$ 110 million) from Rs. 319 crore in the previous year.

During the year there was an extraordinary, non-recurring expense of Rs. 144 crore (US\$ 33 million) on account of the settlement relating to the Voluntary Retirement Scheme implemented during the year as a result of which over 1,700 employees opted for early retirement.

IPCL's corporate tax liability for the year was Rs. 7 crore (US\$ 2 million), which was limited to the impact of the Minimum Alternate Tax (MAT).

Cash profits increased to Rs. 801 crore (US\$ 183 million), compared to Rs. 699 crore for the previous year, registering a growth of 15 %.

Net profit for the year recorded an increase of 34 % to Rs. 273 crore from Rs. 204 crore in previous year.

During the year, there was a change in the basis of providing depreciation from straight-line method (SLM) to written down method (WDV) in respect of certain assets at Vadodara Complex to provide for earlier replacement on account of technological advancement and additional wear and tear. The depreciation for the year would have been higher by Rs. 3 crore (US\$ 1 million) had there been no such change.

Consequent to the change in the basis of providing depreciation from SLM to WDV method in respect of certain assets at the Vadodara Complex, there is an additional depreciation charge of Rs. 214 crore (US\$ 49 million) in respect of earlier years and an equivalent amount has been withdrawn from the General Reserve.

IPCL's paid up equity share capital stood at Rs. 249 crore (US\$ 57 million).

Earnings Per Share (EPS) were Rs. 11.02 (US\$ 0.3) and Cash Earnings Per Share (CEPS) were Rs. 32.27 (US\$ 0.7).

A dividend of 25% has been proposed, subject to the approval of the shareholders. The corresponding dividend payout will be Rs. 62 crore (US\$ 14 million), in addition to tax of Rs. 8 crore (US\$ 2 million) payable by the Company on distribution of dividend.

Capital expenditure during the year was Rs. 61 crore (US\$ 14 million), primarily on account of minor expansions and renewal of assets.

IPCL contributed a total of Rs. 1,346 crore (US\$ 308 million) to the national exchequer in the form of various taxes.

## Resources and Liquidity

IPCL's primary liquidity requirements have been to finance its working capital needs and its capital expenditures. To fund these costs, IPCL has relied on cash flows from operations and short-term and long-term borrowings.

IPCL meets its working capital requirements through commercial credit lines provided by Indian and foreign banks. 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 and floating rate bonds in Indian Rupees and foreign currency non-resident borrowing loans.

IPCL's long-term debt is rated "AA" and short-term debt is rated P1+ by CRISIL.

IPCL's gross debt was Rs. 2,166 crore (US\$ 495 million) on March 31, 2004 compared to Rs. 3327 crore on March 31, 2003, registering a decline of 35%. IPCL's gross debt equity ratio including long term and short term debt as on March 31, 2004 stood at 1.2:1.

The Company's long term debt as on March 31, 2004 stood at Rs. 1,222 crore (US\$ 279 million). Of this debt, 51 % represented foreign currency denominated debt.

During the year, IPCL entered into a loan facility of US\$ 100 million equivalent as a part of its 'external commercial borrowing' programme.

The facility was used for general corporate purposes, including the refinancing of existing high cost debt.

## Business Review

### Polymers

Overall, consumption of polymers in the country increased 12% during the year compared to decrease of 5% during the last year. PE consumption registered a growth rate of 15%, PVC consumption registered a growth rate of 15% while PP consumption registered a growth rate of 8%.

Polymer production from all the three complexes put together increased by 3% during the year to 1,045,460 tons. Capacity utilization of polymer plants except PE, was above 100%. Production of PE was affected mainly due to unplanned shutdowns during the last quarter of the year.

PBR production increased 8% to 55,900 tons.

During the year, a new grade of LDPE, 24BA008 was successfully introduced in the market to cater to the packaging requirements of the pharmaceutical sector. A new grade of PPCP, MI3535 was introduced for caps and closures in the moulding sector. Similarly, a new grade of PE, 46GP003 was introduced to cater to the requirements of the high pressure pipe market.

### 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.