PRELIMINARY SALE DOCUMENT
FEBRUARY 11, 2004

Offer for Sale by the President of India

acting through and represented by the Joint Secretary, Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, Government of India (the "Selling Shareholder"), of equity shares in

INDIAN PETROCHEMICALS CORPORATION LIMITED

Offer for Sale by the Selling Shareholder of up to 59,438,774 equity shares of Rs. 10 each at a price of Rs. [●] in cash aggregating Rs. [●] million (hereinafter referred to as the "Offer"). The Offer would constitute 23.945% of the paid-up capital of Indian Petrochemicals Corporation Limited (the "Company"). The size of the Offer may be enhanced to the extent of up to 5% of the paid-up capital of the Company (up to 12,411,282 equity shares of Rs. 10 each) on the terms and conditions as set out in this Preliminary Sale Document. In such an event the offer may be of up to 71,850,056 equity shares of Rs. 10 each. For further details see "Terms of the Offer" on page 44 of this Preliminary Sale Document.

The equity shares being offered for sale are listed on the National Stock Exchange of India Limited, The Stock Exchange, Mumbai, the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited. The equity shares are tradeable on these exchanges. The Company has applied for delisting from the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited.

The Price Band for the Offer will be decided by the Selling Shareholder and advertised by the Selling Shareholder prior to the Bid Opening Date.

The equity shares being offered pursuant to this Offer are already listed. As advised by Securities and Exchange Board of India, the SEBI Guidelines for public issues/offers do not apply to a listed company facilitating one of the shareholders to dispose of its holding through an offer for sale, such as this Offer. However, the Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines, particularly the guidelines for the 100% Book Building Process, save for certain deviations. Pursuant to the decision of the Selling Shareholder, a maximum of 50% of the Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Offer Price. The Selling Shareholder reserves the right, at its sole discretion, to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The Selling Shareholder is solely responsible for this decision and the consequences thereof.

THE COMPANY

The Company was incorporated on March 22, 1969 under the Companies Act, 1956. The Registered Office of the Company is at P.O. Petrochemicals, Vadodara 391 346 (Gujarat), India. The contact details of the registered office of the Company are Tel: +91 265 2232761; Fax: +91 265 2266164; Email: InvestorRelations.Corpo@ipcl.co.in; Website: www.ipcl.co.in. The corporate office of the Company is at P.O. Petrochemicals Township, Vadodara 391 345 (Gujarat), India; Tel: +91 265 3067221; Fax: +91 265 3067333; Email: InvestorRelations.Corpo@ipcl.co.in

SEBI DISCLAIMER

The shares offered under this sale offer being already listed on the stock exchanges, the SEBI guidelines for public issues/offers are not applicable to this sale offer by the Selling Shareholder. The Selling Shareholder has of its own volition decided to follow the process that is substantially similar to the process specified in the SEBI guidelines. However, this document does not constitute an offer document or prospectus in terms of the SEBI guidelines. This is not a document issued by or on behalf of the Company. The document has been voluntarily forwarded by the Selling Shareholder to SEBI for seeking its guidance/suggestions and the Selling Shareholder has of its own volition also decided on the terms of the offer, price band, allocation pattern, etc. SEBI's guidance to the Selling Shareholder should not in any way be construed or deemed that the sale document has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the projects or for the correctness of the statements made or opinions expressed in the sale document. The Company has confirmed that the requirements under the listing agreement have been complied with.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Offer. The equity shares of the Company are already quoted on the Stock Exchanges. The price band and final pricing decided by the Selling Shareholder may be different from the prices quoted on the Stock Exchanges. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The equity shares offered in the Offer have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Preliminary Sale Document. Specific attention of the investors is invited to the risk factors described in "Risk Factors as Perceived by the Company" on page 13 of this Preliminary Sale Document.

COMPANY'S ABSOLUTE RESPONSIBILITY

Indian Petrochemicals Corporation Limited, having made all reasonable inquiries, accepts responsibility for and confirms that this Preliminary Sale Document contains all information with regard to Indian Petrochemicals Corporation Limited, which is material in the context of the Offer, that the information contained in this Preliminary Sale Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Preliminary Sale Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Company has made disclosures from time to time in compliance with the terms of the listing agreements with the Stock Exchanges.

SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

It is the Selling Shareholder's absolute responsibility to provide and disseminate information about the terms of the offer, in the Preliminary Sale Document and during the Offer process.

FILING

The Department of Company Affairs, Ministry of Finance, Government of India has noted that SEBI has informed that the Offer document is to be called a "Preliminary Sale Document" and has said that accordingly, the Ministry of Disinvestment may file this Preliminary Sale Document with the Registrar of Companies, along with the requisite fee so that it can be placed on record for public inspection. Therefore, a copy of this Preliminary Sale Document has been filed with the Registrar of Companies for public inspection. See "Filing" on page 33 of this Preliminary Sale Document.

This Preliminary Sale Document does not constitute an offer to any person to purchase the equity shares of Indian Petrochemicals Corporation Limited and is being issued for the sole purpose of inviting Bids for the equity shares being offered pursuant to this Preliminary Sale Document.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
kotak Investment Banking **Kotak Mahindra Capital Company Ltd.** Bakhtawar, 3rd Floor 229, Nariman Point Mumbai 400 021 Tel: +91 22 5634 1100 Fax: +91 22 2284 0492 Email: ipcl.offer@kotak.com	SBI Capital Markets Limited **SBI Capital Markets Ltd.** 202, Maker Tower - E Cuffe Parade Mumbai 400 005 Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: ipcl.offer@sbicaps.com	JM MORGAN STANLEY **JM Morgan Stanley Private Ltd.** 141, Maker Chambers III Nariman Point Mumbai 400 021 Tel: +91 22 5630 3030 Fax: +91 22 2202 8224 Email: ipcl.offer@jmmorganstanley.com	**Karvy Consultants Ltd.** Unit - IPCL Public Offer Karvy House, 46 Avenue 4 Street No. 1, Banjara Hills Hyderabad 500 034 Tel: +91 40 2332 3031 Fax: +91 40 2330 4703 Email: ipcloffer@karvy.com

OFFER PROGRAM

BID/OFFER OPENS ON : FEBRUARY 20, 2004	BID/OFFER CLOSES ON : FEBRUARY 27, 2004

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
"IPCL", "the Company", "Indian Petrochemicals Corporation Limited", "we", "us" and "our"	Unless the context otherwise requires, refers to Indian Petrochemicals Corporation Limited, a public limited company incorporated under the Companies Act.
Offer Related Terms and Abbreviations	
Term	**Description**
AGM	Annual General Meeting
Amendment Agreement	The amendment agreement dated January 15, 2004 entered into between the Strategic Partner and the Selling Shareholder, modifying the terms of the Shareholders Agreement
Articles/ Articles of Association	Articles of Association of the Company
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The statutory auditors of the Company, Deloitte Haskins & Sells, independent chartered accountants
Banker(s) to the Offer	The banks which are clearing members and registered with SEBI as Banker to the Offer at which the Public Offer Account will be opened
Bid	An offer made during the Bidding Period by a Bidder to acquire the equity shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Offer Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Offer, which shall be notified in an English national newspaper, Hindi national newspaper, and Gujarati regional newspaper with wide circulation
Bid / Offer Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in an English national newspaper, a Hindi national newspaper and Gujarati regional newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Offer
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to purchase equity shares of the Company and which will be considered as the application for transfer of the equity shares in terms of this Preliminary Sale Document
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Preliminary Sale Document
Bidding Period / Offer Period	The period between the Bid / Offer Opening Date and the Bid/ Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors/ Board / Directors	The Board of Directors of IPCL or a committee thereof

Term	Description
Book Building Process / Method	Book building route as provided in the SEBI Guidelines as amended from time to time. The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process and the processes, procedures and practices which are generally followed in the 100% Book Building process save specified deviations
BRLMs / Book Running Lead Managers	Book Running Lead Managers to the Offer, in this case being Kotak Mahindra Capital Company Limited, SBI Capital Markets Limited and JM Morgan Stanley Private Limited
Brokers to the Offer	Brokers registered with any recognised stock exchange, appointed by the members of the Syndicate
BSE	The Stock Exchange, Mumbai
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of equity shares sent to the Bidders who have been allocated equity shares in the Book Building Process
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Offer Price finalised by the Selling Shareholder in consultation with the BRLMs
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Offer Account after the Final Sale Document is filed with the RoC for public inspection, following which the equity shares shall be transferred to successful bidders
Designated Stock Exchange	NSE
EEFC Account	Export Earner's Foreign Currency account
EGM	Extraordinary General Meeting
EPS	Earnings per equity share
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into by the Selling Shareholder, the Company and the members of the Syndicate for collection of the Bid Amounts and refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Offer at which the Escrow Account for the Offer will be opened
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII / Foreign Institutional Investor	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India

Term	Description
Final Sale Document	The final sale document to be filed with the RoC for public inspection containing, inter alia, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information, after the Pricing Date
FIPB	Foreign Investment Promotion Board
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
GIR Number	General Index Registry Number
Government	Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of the Company
MRTP	Monopolies and Restrictive Trade Practices Act, 1969
MRTPC	Monopolies and Restrictive Trade Practices Commission
NAV	Net Asset Value
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for equity shares and whose Bid Amount is for an amount more than Rs. 50,000
Non Institutional Portion	The portion of the Offer being a minimum of 25% of the Offer available for allocation to Non Institutional Bidders
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI / Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
Offer	The offer for sale by the Selling Shareholder of up to 71,850,056 equity shares of Rs. 10 each, of the Company at the Offer Price in terms of this Preliminary Sale Document. The offer to the public is by an offer for sale by the Selling Shareholder of up to 59,438,774 equity shares, which may be enhanced up to 71,850,056 equity shares of Rs. 10 each. This includes 12,411,282 equity shares that will be offered to the public as part of the Offer in the event that the Strategic Partner does not exercise its option to acquire these shares under the terms of the Shareholders Agreement and the Amendment Agreement
Offer Price	The final price at which equity shares will be transferred in terms of this Preliminary Sale Document. The Offer Price will be decided by the Selling

Term	Description
	Shareholder in consultation with the BRLMs on the Pricing Date. After the determination of the Offer Price, the Selling Shareholder shall transfer the equity shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which equity shares will be transferred to Non Institutional Bidders and QIBs.
PAN	Permanent Account Number
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in Period	This term means (i) with respect to Bidders whose payment has not been waived by the Members of the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Offer Opening Date and extending until the Bid/Offer Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the members of the Syndicate and are therefore not required to pay the maximum Bid Amount into the Escrow Account on or prior to the Bid/Offer Closing Date, the period commencing on the Bid/Offer Opening Date and extending until the closure of the Pay-in Date
Preliminary Sale Document	This document which does not have complete particulars on the price at which the equity shares are offered and the size of the Offer. It will be filed with RoC for public inspection at least three days before the Bid/ Offer Opening Date
Price Band	Price band of a minimum price (floor of the price band) and the maximum price (cap of the price band) which shall be advertised by the Selling Shareholder prior to the Bid Opening Date and includes any revisions thereof.
Pricing Date	The date on which the Selling Shareholder in consultation with the BRLMs finalises the Offer Price
Promoter	Reliance Petroinvestments Limited
Public Offer Account	Account opened with the Bankers to the Offer to receive monies from the Escrow Account for the Offer on the Designated Date
QIB Portion	The portion of the Offer being up to 50% of the Offer available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
RBI	Reserve Bank of India
Registered Office of the Company	P.O. Petrochemicals, Vadodara 391 346 (Gujarat), India
Registrar to the Offer / Registrar	Registrar to the Offer, in this case being Karvy Consultants Limited having its registered office as indicated on the cover page of this Preliminary Sale Document

Term	Description
Reliance Group	Group of companies of which RIL is the flagship company
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for equity shares for an amount more than or equal to Rs. 50,000, in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being a minimum of 25% of the Offer available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of equity shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, Gujarat located at Ahmedabad
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Selling Shareholder	The President of India acting through and represented by the Joint Secretary, Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, Government of India
Share Purchase Agreement / SPA	The share purchase agreement dated May 21, 2002 between the President of India, IPCL and the Strategic Partner
Shareholders Agreement / SHA	The shareholders agreement dated June 4, 2002 between the President of India and the Strategic Partner
SIA	Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry and Company Affairs
Stock Exchanges	BSE, NSE, VSE and CSE, where the equity shares of the Company are listed
Strategic Partner	Reliance Petroinvestments Limited, a company incorporated under the Companies Act, together with its subsidiary, Reliance Rubbers and Chemicals Limited
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement between the Selling Shareholder, the Company, BRLMs and the Syndicate Members
Syndicate Members	Kotak Securities Limited
TRS / Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
U.S. GAAP Auditor	Chaturvedi & Shah, Chartered Accountants, Mumbai for U.S. GAAP
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement between the Syndicate, the Company and Selling Shareholder to be entered into on the Pricing Date

In this Preliminary Sale Document, references to "allocation" of equity shares in this Offer, unless the context otherwise requires, also include a reference to "transfer" of equity shares.

In this Preliminary Sale Document, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Glossary of Technical Terms

Technical Term	Name
ABS	Acrylonitrile Butadiene Styrene
ACN	Acrylonitrile
AF	Acrylic Fibre
CAGR	Compound Annual Growth Rate
CATAD	Catalyst and Adsorbents Division
D/E	Debt Equity Ratio
DMT	Dimethyl Terephthalate
EBIDTA	Earnings Before Interest, Depreciation, Tax and Amortization
EBIT	Earnings Before Interest and Tax
EO / EG	Ethylene Oxide / Ethylene Glycol
GTPP	Gas Turbine Power Plant
HDPE	High Density Polyethylene
kcal	Kilo Calories
LAB	Linear Alkyl Benzene
LABFS	Linear Alkyl Benzene Feedstock
LDPE	Low Density Polyethylene
LLDPE	Linear Low Density Polyethylene
LSHS	Low Sulphur Heavy Stock
MEG	Mono Ethylene Glycol
mmkcal	Million Kilo Calories
mt	Metric Tonnes
mmscmd	Million Standard Cubic Meters per Day
MW	Mega Watts
PBR	Polybutadiene Rubber
PE	Polyethylene
PET	Polyethylene Terephthalate
PFY	Polyester Filament Yarn
POY	Partially Oriented Yarn
PP	Polypropylene
PPCP	Polypropylene Copolymer
PPFS	Polypropylene Feedstock
PS	Polystyrene
PSF	Polyester Staple Fibre
PTA	Purified Terephthalic Acid
PVC	Poly Vinyl Chloride
PX	Paraxylene
tpa / mtpa	tonnes per annum/ metric tonnes per annum
VCM	Vinyl Chloride Monomer

Glossary of Abbreviations

Abbreviation	Name
BPCL	Bharat Petroleum Corporation Limited
BSE	The Stock Exchange, Mumbai
CSE	Calcutta Stock Exchange Association Limited
Deptt.	Department
Dy.	Deputy
GACL	Gujarat Alkalies and Chemicals Limited
GAIL	GAIL India Limited
GCPTCL	Gujarat Chemical Port Terminal Company Limited
GDS	Global Depository Shares
GIDC	Gujarat Industrial Development Corporation
GNFC	Gujarat Narmada Fertilisers Corporation Limited
HPL	Haldia Petrochemicals Limited
IOC	Indian Oil Corporation Limited
IVCOL	Indian Vaccines Corporation Limited
NCD	Non-Convertible Debentures
NSE	National Stock Exchange of India Limited
ONGC	Oil and Natural Gas Corporation Limited
PCD	Partially Convertible Debentures
RCL	Reliance Capital Limited
RIL	Reliance Industries Limited
RPiL	Reliance Petroinvestments Limited
RRCL	Reliance Rubbers and Chemicals Limited
RVL	Reliance Ventures Limited
Sr.	Senior
VSE	Vadodara Stock Exchange

FORWARD-LOOKING STATEMENTS

This Preliminary Sale Document contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue”, “may” or other words or phrases of similar import. Similarly, statements that describe the Company’s objectives, plans or goals also are forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company’s expectations include, among others:

- general economic and business conditions in India;
- the Company’s ability to successfully implement its strategy, its growth and expansion plans and technological changes;
- changes in the value of the Indian rupee and other currencies;
- changes in the Indian and international interest rates;
- changes in laws and regulations that apply to the Indian petrochemicals industry, including with respect to oil and natural gas pricing and allocation, import duties, excise duties or environmental regulations;
- increasing competition in and the conditions of the Indian petrochemical industry;
- changes in political or social conditions in India;
- the market prices for petrochemical products;
- the cost, availability and quality of the Company’s raw material supplies;
- the loss or shut down of operations at any of the Company’s production complexes, including as a result of expansion of projects or interruptions in the supply of power;
- the loss of any significant customers;
- an adverse outcome in the legal proceedings in which the Company is involved;
- actions by the Company’s consignment and del credere agents that adversely affect the Company’s business;
- conflicts of the Company’s interests with RPiL or its associated companies with which the Company competes and is also dependent upon for raw material supplies and other matters;
- changes in any global condition and situations affecting India and the Indian petrochemicals industry; and
- labour unrest or other difficulties.

For further discussion of factors that could cause the Company’s actual results to differ, see “Risk Factors as Perceived by the Company” on page 14 of this Preliminary Sale Document. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. None of the Selling Shareholder, the Company, any Underwriter or any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. The Selling Shareholder, the Company and the BRLMs will ensure that investors in India are informed of material developments until the completion of the necessary formalities at the Stock Exchanges.

CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL AND MARKET DATA

In this Preliminary Sale Document, the terms "we", "us", "our", the "Company", "our Company", or "IPCL", unless the context otherwise indicates or implies, refers to Indian Petrochemicals Corporation Limited. All references to "India" contained in this Preliminary Sale Document are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to the "UK" or the "U.K." are to the United Kingdom.

For other definitions, see "Definitions and Abbreviations" on page 3 of this Preliminary Sale Document.

Financial Data

Unless stated otherwise, the financial data in this Preliminary Sale Document is derived from the Company's financial statements prepared in accordance with generally accepted accounting principles in India ("Indian GAAP") included elsewhere in this Preliminary Sale Document.

The term "income" used in the Company's financial statements, the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Preliminary Sale Document refers to the Company's revenues.

There are significant differences between Indian GAAP and US GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Preliminary Sale Document will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Preliminary Sale Document should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on the Company's financial data.

The Company's fiscal year commences on April 1 and ends on March 31.

In this Preliminary Sale Document, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Market Data

Market data presented in this Preliminary Sale Document was obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that market data presented in this Preliminary Sale Document is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.

A significant amount of the industry information included in this Preliminary Sale Document is from the Petrochemicals Annual Review, December 2002, published by CRIS INFAC, and in many cases is subject to a number of significant assumptions. CRIS INFAC does not make its assumptions publicly available and hence the Company is unable to verify the reasonableness of such assumptions.

All capacity and market share data is for India unless otherwise noted.

Currency of Presentation

In this Preliminary Sale Document, all references to "Rupees" and "Rs." are to the legal currency of India, all references to "U.S. Dollars", "Dollars", "US$" and "$" are to the legal currency of the United States, all references to "Pounds", "£" and "U.K. Pound" are to the legal currency of the United Kingdom and all references to "Euro" and "€" are to the legal currency of the European Union.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled "Average" in the table below is the average of the daily noon buying rate for each day in the period.

Exchange Rate Data	Fiscal 2003	Nine months ended December 31, 2003
Period End	Rs. 47.53	Rs. 45.55
Average	Rs. 48.43	Rs. 46.20
Low	Rs. 49.07	Rs. 47.46
High	Rs. 47.53	Rs. 45.29

SUMMARY OF THE OFFER FOR SALE BY THE SELLING SHAREHOLDER

The allocation pattern as decided by the Selling Shareholder is as follows:

Equity shares offered:

Offer for Sale by the Selling Shareholder	Up to 59,438,774 equity shares of Rs. 10 each which may be enhanced up to 71,850,056 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option to acquire up to 12,411,282 equity shares of Rs. 10 each.
Of which:	
QIB Portion	Up to 29,719,386 equity shares which may be enhanced up to 35,925,028 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as stated above. (Allocation on a discretionary basis)
Non Institutional Portion	At least 14,859,694 equity shares which may be enhanced up to 17,962,514 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as stated above. (Allocation on a proportionate basis)
Retail Portion	At least 14,859,694 equity shares which may be enhanced to 17,962,514 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as stated above. (Allocation on a proportionate basis)
Equity shares outstanding before and after this Offer	248,225,622 equity shares.

* As this is an offer for sale, there will be no change in the number of equity shares outstanding subsequent to the Offer.

RISK FACTORS AS PERCEIVED BY THE COMPANY

An investment in our equity shares involves a degree of risk. You should carefully consider all of the information in this Preliminary Sale Document, including the risks and uncertainties described below, before making an investment in our equity shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our equity shares could decline, and you may lose all or part of your investment.

Internal Risk Factors

Our business is dependent on the market prices for petrochemical products, which historically have been volatile and could adversely affect our business and financial results.

Our financial results are dependent on the market prices for petrochemical products, which fluctuate significantly. The prices at which we sell our petrochemical products are influenced by changes in the international prices of petrochemicals. International petrochemical prices are dependent on demand for petrochemical products, changes in feedstock and oil prices and changes in political and economic conditions around the world. Furthermore, the petrochemicals industry has historically experienced periods of tight supply, resulting in increased prices and profit margins. This has typically been followed by periods of substantial capacity expansion, resulting in oversupply and declining prices and profit margins. International petrochemical prices are also dependent on economic conditions in countries that are large consumers of petrochemical products, such as China and the United States. In addition, the long-term trend of petrochemical prices has been of a declining nature.

During the past five years there has been a substantial increase in the production capacity of the global petrochemicals industry. For example, between 1997 and 2002, the installed production capacity of ethylene increased from 28.8 million tpa to 35.7 million tpa in the United States, from 5.3 million tpa to 9.6 million tpa in the Middle East and from 0.53 million tpa to 2.4 million tpa in India. The increase in global production capacity has resulted in the lowering of international as well as domestic market prices for petrochemical products.

Petrochemical prices, which were at a historically low level at the beginning of 1999, gradually increased by the end of 1999 due to the increase in oil prices and the economic recovery in the Asian region. Prices remained stable in 2000 but by the end of 2000 began showing a downward trend as a result of increased production capacities and weak demand. The downward trend continued during 2001. Towards the end of 2001, petrochemical prices gradually increased as a result of petrochemical producers and end users operating on minimum inventories because of decreased production in the previous year. Prices improved and remained stable in 2002 with increased demand, as a number of developed countries emerged from recessions. International petrochemical prices rose significantly in the first three months of 2003 in anticipation of the conflict in Iraq, and declined between April and June 2003 as a result of SARS in China and Southeast Asia and the anticipation of a quick resolution to the conflict in Iraq. Petrochemical prices began to rise again in July 2003 as a result of rising oil and feedstock prices.

Since international petrochemical prices are the main benchmark for the prices at which we sell our products, future declines in international prices, which are likely given their historical cyclicality, volatility and long-term trends, could adversely affect our business and financial results.

The availability, cost and quality of the raw materials we use in our business can vary and cause wide fluctuations in our profit margins.

We use large amounts of petrochemical feedstocks and fuels as inputs in the manufacturing of our products. The availability, cost and quality of these raw materials affects our business and financial results significantly.

Availability of raw materials

Most of the raw materials we use are products that are derived from the processing of crude oil or natural gas. These include naphtha, ethane/propane and rich gas. We purchase feedstocks and fuels from entities that are currently the only suppliers or predominant suppliers of these raw materials in India and from other vendors in India and abroad. Alternative sources of supply for many of our feedstocks and fuels are limited, and are likely to be substantially more expensive than our existing sources. Currently, GAIL is the sole supplier of natural gas to all our complexes and ONGC is the sole supplier of ethane/propane to our Nagothane complex. The Vadodara complex relies on RIL for its naphtha requirements. Some of these suppliers also compete with us in the petrochemicals market. Any disruption in the supply of feedstocks or fuels from existing sources could have a material adverse effect on our operations. For example, ONGC's periodic shutdown of its Uran plant for maintenance results in the shutdown of our Nagothane complex. Our Nagothane complex is currently shut down from February 4, 2004 to February 21, 2004 for this reason, as a result of which our production levels in the last quarter of fiscal 2004 will be adversely affected.

The Government determines our allocation of gas for use at the Nagothane complex (principally ethane/propane) and the Gandhar complex (principally natural gas). These allocations have been formalised in long-term supply contracts with Government controlled enterprises such as GAIL and ONGC. Historically the levels of feedstock and fuel supply from Government controlled enterprises such as GAIL and ONGC have been below the amounts allocated to us by the Government. If the Government reduces our allocation of these feedstocks or if the Government's allocation is insufficient to meet our requirements, our financial results will be adversely affected because we do not readily have economically viable alternative sources for these feedstocks. We also have in place short-term contracts for periods of up to one year and source feedstocks on a spot basis with suppliers such as Saudi Arabian Oil Company, GACL and Gujarat Narmada Fertiliser Company. These are typically for supplies of other feedstocks that we use, such as ammonia, propane and chlorine. If one or more of our significant feedstock suppliers are unable to meet their obligations under present supply arrangements, or if these arrangements are not renewed upon expiration, we may have to incur increased costs for our raw materials, which could be in the form of higher cost for seeking and securing alternative raw materials, or higher cost of sourcing and transportation, or both.

Our feedstock availability also depends on our supply logistics, which are important to our business because we need to ensure that raw materials reach our production facilities in a timely and efficient manner with minimal wastage in transit. We utilise dedicated pipelines to transport the majority of our feedstock requirements from their point of origin to our consuming locations. We also rely on roadways and waterways for the transportation of feedstocks. Any disruption in our supply logistics, including rupture or damage to our pipelines or damage to our receiving ports or jetty facilities, caused by natural disasters, adverse weather conditions, acts of vandalism, terrorism or other factors, can adversely impact our supply of feedstocks and fuels. For example, in July 2001 the submarine pipeline from Hindustan Aegis LPG Private Limited to our Nagothane complex developed a leak, which adversely affected the production of ethylene and propylene in the complex.

Cost of raw materials

There may be periods of time during which we are unable to recover increases in feedstock and fuel prices by increasing the selling prices of our products because of the prevailing international prices of these products. Approximately 25% of our feedstock and fuel costs are attributable to inputs for which we have fixed price purchase contracts such as semi-rich gas for our Gandhar complex, ethane/propane mix for our Nagothane complex, and lean gas as fuel for our Vadodara and Nagothane complexes. Moreover, our fixed price contracts for semi-rich gas, lean gas and the non-propane constituent of ethane/propane feedstock are with entities controlled by the Government and are on a "provisional" fixed price basis, which means that the Government has an absolute right to change the prices of these raw materials prospectively as well as retrospectively. The Government regulates natural gas prices in India, particularly the prices at which ONGC and GAIL sell natural gas to customers, including us. Any increase in natural gas prices by the Government will result in our suppliers revising the prices of natural gas feedstocks which will adversely affect our profitability. There have been recent reports in the Indian press indicating that the Government is considering revisions to natural gas prices, but as of the present time no proposals have been announced by the Government in this regard. It has been reported that the Government is considering constituting a tariff committee to study the cost of production of the major natural gas producers in India and to advise on a reasonable level of natural gas prices until these prices are deregulated. If the Government increases natural gas prices, or lessens its control of the natural gas sector in other ways, our raw material and transmission costs could increase significantly. We may not be able to recover such price increases by increasing the selling prices of our products, which would adversely affect our profitability and financial condition. For a discussion on the pricing of natural gas please see "Regulations and Policies" on page 160 and "Our Business" on page 84 of this Preliminary Sale Document.

Approximately 75% of our feedstock and fuel costs are attributable to inputs such as naphtha, propane, PPFS and LABFS which we purchase from vendors in India and abroad at import parity prices which are based on international market prices. These prices can vary significantly as a result of a variety of factors, including natural disasters, outbreak of war or other actions resulting in political, diplomatic and economic uncertainties in the Middle East, terrorist actions against targets of the developed world including the United States of America, volatility in oil markets, geo-political events, increased demand for fuel caused by severe winters in the northern hemisphere and the actions of oil-exporting countries related to the supply or pricing of crude oil. Most recently, during the months leading up to the conflict in Iraq there was a significant increase in oil prices, which also resulted in an increase in the prices of our inputs.

Since many of our inputs are imported or are purchased from Indian vendors at import parity prices, our input costs are subject to import duties and other import tariffs imposed by the Government from time to time. The Government has in the past increased import duties on certain feedstocks and reduced import duties on other feedstocks. For example, the import duty on naphtha increased from nil in 1998 to 10% in March 2001 while the import duties on propane and liquid fuels declined from 12% to 10% and 32% to 20%, respectively, during the same period. Any increase in import duties or other import tariffs on raw materials will increase our input costs and materially affect our results of operations. While we currently do not have any hedging arrangements against foreign exchange risk, we have in the past entered into foreign exchange forward and derivative contracts, but these contracts may not protect us fully from losses due to fluctuations in the foreign exchange rates.

Quality of raw materials

We require our raw materials to meet satisfactory quality standards for manufacturing our intermediate and finished products. For example, we require semi-rich gas to contain sufficient amounts of ethane/propane for us to efficiently separate the ethane/propane and feed our gas crackers. The quality of natural gas, especially its ethane/propane content, may vary significantly depending upon the quality of the reserves from which the gas originates, as well as the extent of LPG extracted by upstream Government companies such as ONGC at Hazira and GAIL at Gandhar which would deplete the ethane/propane content in the natural gas that we receive. Any deterioration in the quality of the raw materials supplied to us may adversely impact our ability to manufacture our products to acceptable yield levels and quality standards and may have an adverse effect on our operations. Even if we could obtain acceptable substitute raw materials, we could incur increased expenses in procuring them from alternative sources and may suffer reduced profit margins and an adverse impact on our business.

Our business is dependent on our three major petrochemical complexes, and the loss of or shutdown of operations at any of these complexes would have a material adverse effect on us.

Each of our three petrochemical complexes at Vadodara, Nagothane and Gandhar is subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. In addition, we are subject to the risk that one or more plants, especially the older or smaller plants such as those at the Vadodara complex, may no longer be operationally or economically viable, which may require us to replace them or shut them down. In the past, for reasons of economic viability, we have shut down plants, such as our aromatics (xylene and DMT), PP (homopolymer) and petroleum resin plants in the Vadodara complex and our wire and cable plant in the Nagothane complex.

Our plants use complex equipment and machinery, and the breakdown or failure of equipment or machinery may result in us having to make repairs or procure replacements which can require considerable time and expense. For example, a serious breakdown or failure affecting our cracker plants will adversely affect the operations of plants that rely on the output of the cracker plant. Our plants have suffered breakdowns and equipment failures in the recent past. The LDPE unit of the Vadodara complex was shut down for nine days in April 1998 due to the breakdown of the unit's hypercompressor. The failure of the extruder main motor in the HDPE plant at the Gandhar complex in August 2001 resulted in a shutdown of the plant for 17 days.

We may also be required to carry out planned shutdowns of our plants for maintenance, statutory inspections and testing. We also shut down plants for capacity expansion and equipment upgrades. For example, in fiscal 1999 we shut down the main plant at our Nagothane complex for 80 days in order to carry out the LLDPE/HDPE expansion. We plan to shut down the cracker at our Gandhar complex for approximately 14 days in fiscal 2005 for maintenance.

The operations at all our complexes are dependent on an uninterrupted supply of power. While we have captive power plants located at our three complexes to supply power to our manufacturing facilities, we are also dependent on external sources for the supply of power. Our captive power plants or external power sources may encounter problems that in turn may disrupt our power supply. For example, the LAB plant at our Vadodara complex was shut down for 15 days in November 2003 because a power failure led to its malfunctioning. At the Gandhar complex, power is supplied by a plant set up by Indian Infrastructure Development Limited, with whom we currently have a dispute regarding delays in the setting up of the power plant and arbitration proceedings are in progress. Any disruption in our power supply may reduce our capacity utilisation and result in a partial or total shutdown of operations.

Although we take precautions to minimise the risk of any significant operational problems at our petrochemical complexes, our complexes and consequently our financial results may be adversely affected by any of the factors mentioned above.

We may plan to undertake expansion projects, which could subject us to financial risk and disrupt our operations.

We commenced operations as a small petrochemical manufacturing unit when our first plant was set up in 1973. Our business has grown to its present scale as a result of extensive expansion projects. Our last major expansion project was the completion of our Gandhar complex in fiscal 2000.

Since our business is dependent on the operability and productivity of the plants and equipment in our three complexes, we are required to incur substantial capital expenditures to upgrade or replace plant and equipment that might become obsolete or may no longer be operationally or economically viable due to age, size, competitive pressures or technological advancements. This is particularly important in our older plants such as those at the Vadodara complex. For example, we spent approximately Rs. 260 million in April 1997 to modernise certain control systems in our naphtha cracker and approximately Rs. 110 million in April and September 2000 to modernise our LDPE plant at the complex. Further, as our business grows, we may have to further expand our manufacturing capacity substantially. This would require major capital expenditures. For example, we expect to incur approximately Rs. 3,500 million in capital expenditures in the next four years to expand capacity at our three complexes.

Capital expenditure projects are subject to a variety of potential problems and uncertainties, including changes in economic or market conditions, including petrochemical prices, delays in completion, cost overruns, shortages in material or labor, defects in design or construction, delays in obtaining or inability to obtain necessary permits and licences, and the possibility of unanticipated future regulatory restrictions, such as stricter environmental and health and safety regulations. We cannot assure you that any such projects that we may undertake will be successfully completed or be completed in the manner originally contemplated. Furthermore, we might have to rely on debt or equity financing from Indian as well as foreign sources to fund our capital expenditures. We may be unable to obtain additional financing on favourable terms.

We face increasing domestic competition and the expected declines in import duties on petrochemical products will expose us to increased competition from multinational companies, which may lead to lower market share and prices for our products and adversely affect our financial results.

We compete mainly in India's domestic market. In fiscal 2003, we derived approximately 92% of our revenues from sales within India. We face competition from domestic producers such as Finolex Industries, GAIL, Haldia Petrochemicals, Nirma and Tamil Nadu Petro Products. Competition from these producers has increased and we expect it to continue to increase. There has been significant capacity addition in the petrochemicals industry in India. For example, Haldia Petrochemicals and GAIL have added 0.42 million tpa and 0.30 million tpa, respectively, of ethylene capacity in the past five years. The domestic production capacity of PP, HDPE, MEG, acrylic fibre, LLDPE and LAB is higher than domestic demand, thereby intensifying competition among producers of these products.

We have historically been protected from overseas competition by the high import duties imposed by the Government on the import of petrochemical products. The effective import duty on polymers, our largest product group, was 41.75% in fiscal 1999, which increased to approximately 45% in fiscal 2000 and 2001, decreased to 41.3% in fiscal 2002 and further decreased to 36% in fiscal 2003. In January 2004, the effective import duty on polymers was further reduced from 30.8% to 20% and the effective import duty on MEG was reduced from 25.6% to 20%.

As part of its programme of economic liberalisation and as a consequence of India's membership of the World Trade Organisation, the Government has steadily been reducing import tariffs on various products, including petrochemicals. Also, as part of its commitments under various multilateral and bilateral trade agreements, India has committed to gradually eliminate tariffs on various petrochemical products as well as non-tariff import barriers such as quotas based on amount and source. As a result of these and other political and market factors, we expect duties and other barriers for petrochemical imports to continue to decline. Accordingly, we currently face and expect to continue to face increased competition in most of our products (in particular, polymers) from imported products produced by international petrochemical producers, including large multinational companies, such as Dow Chemical, Exxon Mobil, Royal/Dutch Shell and SABIC, that have significantly greater resources (financial and otherwise) than us. We also face increased competition from Asian petrochemical companies such as Formosa Petrochemicals, Japanese Synthetic Rubber and LG Chemicals. We may also face competitive pressure from increased petrochemical imports at lower prices from countries with whom India might enter into bilateral and/or regional free trade agreements containing preferential tariffs. For example, India has recently concluded a bilateral free trade agreement with Thailand and plans to enter into a regional free trade agreement with the countries forming part of the South Asian Association of Regional Cooperation. These countries have petrochemicals producers whose products could compete effectively with our products in the Indian market.

As a result of the foregoing factors, we believe that the reductions in import duties and lower priced imports from countries that benefit from preferential tariffs will have an adverse effect on our business and financial performance.

We are subject to risks arising from currency exchange rate and interest rate fluctuations, which could adversely affect our financial results.

Changes in currency exchange rates and interest rates influence our results of operations. Prices obtained by us for our petrochemical products are affected by world petrochemical prices quoted in U.S. Dollars and may therefore fluctuate in accordance with changes in the prevailing Rupee/U.S. Dollar exchange rate. Our need to import feedstocks might rise because of the expansion of our business or the unavailability of feedstocks domestically. Since the Rupee cost of imported feedstocks is influenced by changes in exchange rates, adverse movements in exchange rates could increase our operating expenses. We sell many of our products in the domestic market at import parity prices, which are based on international market prices and therefore expose us to exchange rate risk. In addition, a significant portion of our borrowings is denominated in currencies other than Rupees, principally U.S. Dollars, Euros and Japanese Yen, and a significant portion of our capital expenditures, including imported technology, equipment and machinery, is denominated in currencies other than Rupees, primarily U.S. Dollars. Accordingly, a weakening of the Rupee against other major foreign currencies would increase the amount of Rupees needed to service our foreign currency denominated liabilities.

Changes in interest rates could also affect our financial results significantly. Our financial performance in fiscal 2002 and 2003 and the first nine months of fiscal 2004 benefited from low interest rates, which enabled us to refinance some of our high cost debt with low interest funds. If interest rates were to increase significantly, our cost of funds would increase. This would adversely impact our results of operations, planned capital expenditures and cash flows, among other things.

We enter into hedging arrangements from time to time to hedge against currency exchange rate and interest rate risks, but these arrangements may not protect us fully from losses due to fluctuations in currency exchange rates and interest rates.

Our operations are hazardous and could expose us to the risk of material liabilities, lost revenues and increased expenses.

Our operations are subject to various hazards associated with the production of petrochemical products, such as the use, handling, processing, storage and transportation of hazardous materials, as well as accidents such as leakages and spillages of chemicals. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage, and may result in the suspension of operations and the imposition of civil and criminal liabilities.

In April 2003 there was a fire in a furnace and in October 2003 there was a fire in the boiler of the captive power plant at our Nagothane complex. No injuries occurred, but certain equipment was damaged. There was an accident in December 2002 where chlorine was emitted into the air at our Gandhar complex and three persons suffered minor ailments outside the factory. The affected persons were given medical assistance and no claims for compensation were made against us. The Gujarat Factory Inspectorate filed a case against us in response to a fatal accident involving the death of two persons at a plant in the Vadodara complex in September 2000. The court imposed a penalty of Rs. 25,000 on us, which we have paid. There was a fire in the gas cracker plant at the Gandhar complex which delayed the commissioning of the plant. In November 1990 a gas explosion outside the plant processing area at our Nagothane complex resulted in the death of 32 persons and substantial damage to the feedstock receipt, chilling and storage facilities. Production at the Nagothane complex was restored in the second half of June 1991. We have settled the outstanding claims in respect of the accident.

As a result of past or future operations, there may be additional claims of injury by employees or members of the public due to exposure, or alleged exposure, to the hazardous materials involved in our business. In addition, we may be subject to claims of injury from indirect exposure to hazardous materials that are incorporated into our products or the products of other manufacturers. Liabilities incurred as a result of these events have the potential to materially impact our financial position. Events like these could also adversely affect the perception of our company by suppliers, customers, employees and the public, which could in turn affect our financial condition and business performance. While we maintain general insurance against these liabilities, insurance proceeds may not be adequate to fully cover the substantial liabilities, lost revenues or increased expenses that we might incur.

Environmental and health and safety laws and regulations may expose us to liability and result in increased costs.

We are subject to extensive national and local environmental laws and regulations, which limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. These laws and regulations require significant capital and other expenditures for compliance. The operations of petrochemical manufacturing plants entail an inherent risk of environmental damage and we may incur liabilities in the future arising from the discharge of pollutants into the environment or our waste disposal or hazardous material handling practices.

In the recent past, we have received show cause notices for non-compliance with the prescribed norms of the Gujarat Pollution Control Board. We have replied to the show cause notices and no actions have been initiated against us. We have spent Rs. 44.5 million in the past five years to upgrade and augment the pollution control facilities at our three complexes. We expect to incur ongoing expenditures, which may be significant, to comply with environmental regulations. For example, due to recent regulatory changes we must implement proper procedures for the disposal of bio-medical waste from the medical centres that we operate at our three complexes. We also must ensure that diesel generators operated by us comply with noise control norms. In addition, lead batteries used at our Gandhar and Vadodara complexes must now be disposed of through agencies approved by the Gujarat Pollution Control Board.

Many of our products are subject to rigorous health and safety regulations. There is a risk that key raw materials or certain of our products may be recharacterised as toxic products or found to have a toxicological or health related impact on the environment or on our customers or employees. Health and safety regulations are continually strengthened, as a result of which relevant raw materials or products that are integral to our business may be restricted or banned.

Although we attempt to achieve compliance with all material environmental and health and safety laws and regulations applicable to our operations, from time to time we may not be in full compliance with these laws and regulations. We also expect that environmental laws and regulations will continue to become stricter. Compliance with these regulations could cause us to incur substantial costs. While it is difficult to predict the effect of non-compliance with, or future developments in environmental and health and safety laws and regulations on our business, it is possible that such non-compliance or developments will have a material adverse effect upon us.

Many aspects of the distribution network that we depend on for the sale and distribution of our products are outside our control, and the actions of our consignment and del credere agents may adversely affect our business and financial results.

We have an extensive network of consignment and del credere agents for the sale and distribution of our products. Consignment agents store products and sell them to and invoice the ultimate customers on our behalf. Del credere agents are primarily responsible for invoicing customers. Since our consignment and del credere agents have direct contact with customers during and after purchase, their effectiveness has a significant impact on the perception of our products and our brand name. We are therefore subject to the risk of our consignment and del credere agents failing to adhere to the standards set for them in respect of sales and after-sales service. Further, our agents are not bound by exclusivity agreements and could engage in other businesses that might hinder them from providing high quality services.

Our consignment agents are required to perform certain activities such as collection of sales tax forms, filing of sales tax returns and payment of sales tax. The failure on the part of these agents to complete these activities or any delay in the completion of these activities may result in financial liability for us. We bear the risk of default by our distributors to customers and consequent customer recourse to us. In addition, our reputation may be adversely affected by such actions.

Our business is dependent on our key customers and the loss of any significant customer could adversely affect our financial results.

For the first six months of fiscal 2004, our five largest customers were from our PVC, MEG and PBR product groups, which accounted for approximately 8% of our net sales. The loss of a significant customer or a number of significant customers would have a material adverse effect on our financial results. We cannot assure you that we can maintain the historic levels of business from these customers or that we will be able to replace these customers in case we lose any of them.

We are subject to recall and product liability risks due to deficiencies in our products, which could generate adverse publicity and adversely affect our business.

Any deficiencies in our products could require us to undertake remedial actions. Although these remedial actions have historically not required us to expend considerable resources, they could in the long-term adversely affect our product image and the demand for our products.

Certain aspects of our relationship with the Reliance Group may adversely affect our business.

Our largest shareholder is Reliance Petroinvestments Limited ("RPiL"), which owns 46% of our outstanding shares and also controls our management and board of directors. Upon the completion of this Offer RPiL may own up to 51% of our issued and paid up equity share capital. Consequently, RPiL has the power to determine the outcome of most actions requiring the approval of our board of directors or shareholders. For details of the Shareholders Agreement and the Amendment Agreement, see "Our Promoter" on page 150 of this Preliminary Sale Document.

RPiL is a member of the Reliance Group, which is one of India's leading business groups, with interests in a variety of businesses, including petrochemicals. The Reliance Group's petrochemicals business is conducted by its flagship company, Reliance Industries Limited ("RIL"). Given that RIL and we operate in the same industry, conflicts of interest may arise between RIL and us. For example, RIL is one of our key suppliers of raw materials, including naphtha for our Vadodara complex. It is possible that RIL might decide to divert the raw materials it currently supplies to us to other customers who might offer higher prices for them. RIL might also decide to pursue new business opportunities in the Indian as well as international markets to our exclusion. Furthermore, the Reliance Group provides us with operational, managerial and other forms of assistance, including seconding a number of its employees to us. Given the extent of RPiL's control over us, conflicts of interest and competing business opportunities between RIL and us may not be resolved in our favour.

Since the Reliance Group has a number of businesses that have a prominent position in their respective sectors, we as a member of the Reliance Group may be affected by any regulatory actions that may apply to our businesses. It is not possible for us to predict the form of any new laws or the outcome of any regulatory actions, which may have a material adverse effect on our financial condition and results and the trading price of our equity shares.

RPiL is a significant shareholder in our Company and is able to control the management of our Company.

RPiL will beneficially own a minimum of 46% and a maximum of 51% of our issued and paid up equity share capital after the completion of this Offer. Under the SHA and our Articles, RPiL has the right to nominate six directors on our Board. RPiL could, by exercising its control over us, delay or defer a change in control of our Company, delay or defer a merger, consolidation, takeover or other business combinations involving our Company or discourage a potential acquirer from making a tender offer or otherwise obtaining control of our Company. Our other shareholders may disagree with decisions made by RPiL. For further details on the SHA see "Our Promoter" on page 150 of this Preliminary Sale Document.

Following the completion of this Offer, the Government will continue to retain certain rights in our Company.

The Government will continue to beneficially own up to 5% of our issued and paid up equity share capital after the completion of this Offer. Under the SHA, until June 3, 2005, so long as the Government holds at least one share in our Company, the Government has the right to nominate one director for appointment on our Board. Also, the quorum for any meeting of our Board of Directors to discuss certain specified items, such as change in the nature of our business, or the sale of any asset constituting 25% or more of our fixed assets, requires the presence of the Government nominated director. Therefore, the Government will have the ability to block or otherwise influence actions that might be beneficial to our other shareholders. For further details on the SHA please see “Our Promoter” on page 150 of this Preliminary Sale Document

In June 2002, we became a private sector company, and we may encounter difficulties or increased costs as we complete the transition from Government ownership.

We are still in the process of transition from Government ownership and control to being privately managed. This entails changes in management and may also mean changes in operating procedures, strategy, culture and labour relations. We cannot assure you that we will not encounter difficulties or increased costs in the transition to becoming a private sector company.

Our employees are represented by trade unions and any labour unrest at our manufacturing facilities could adversely affect our operations and profitability.

As of December 31, 2003, we had approximately 11,300 employees. Employees at our Nagothane complex are represented by four trade unions, employees at our Gandhar complex by two trade unions, employees at our Vadodara complex by three trade unions and employees at our CATAD unit are represented by one trade union. In 1992 there was a strike at our Vadodara complex which resulted in the closure of the plant for a period of one week. Any future labour unrest at our manufacturing facilities could adversely affect our manufacturing operations and operating results.

Breakdowns or other problems in our information technology based communication and billing systems may disrupt our operations.

We rely on an information technology based communications and billing infrastructure which links our offices, plants and consignment and del credere agents and is essential to the management of our supply chain, inventory and manufacturing. It also forms an integral part of our internal communications and management information systems. Any breakdown or other problems in our information technology systems could lead to significant increases in our levels of inventory and lead times. It may also disrupt our internal decision-making process by causing loss of data and making it difficult for our employees to communicate with each other and with our consignment and del credere agents and other persons in our supply chain in a timely manner. Any such problems could also affect the reliability and timeliness of our financial reporting.

We are defendants in a number of legal proceedings that, if determined against us, could have a material adverse impact on our results of operations and financial condition.

We are defendants in a number of legal proceedings relating to our business and operations.

We are subject to 44 writ petitions in various courts in India. There are also three criminal cases pending against our senior management and us. One of these cases relates to an accident at the Nagothane complex in which two contract labourers and one of our employees suffered injuries. We have also been named in litigation commenced by our shareholders and applicants for shares for various matters such as disputes with the other shareholders and stockbrokers. There are 124 civil cases filed against us. These include 24 money suits in which the total claim against us is approximately Rs. 485 million. We are also subject to 220 cases claiming compensation totaling Rs. 482 million for land acquisition either in the form of employment for persons displaced by our construction projects or for monetary compensation. These include cases relating to pipelines we have installed and applications asking us not to make payments for the right of use to any person as the ownership and title of the land is in dispute. In addition, we are subject to 331 cases related to claims of by contract labourers seeking permanent employment with our Company, reinstatement and other labour matters. These include cases filed by unions for contract labour employed by our contractors.

There are ten cases related to payment of gratuity and provident fund, and the aggregate amount claimed under these petitions is Rs. 66.9 million. We are also subject to claims against us for excise taxes of approximately Rs. 3,316.5 million, sales tax of approximately Rs. 276.1 million and income tax of approximately Rs. 926.7 million.

Should any new developments arise, such as changes in Indian law or rulings against us by appellate courts or tribunals, we may need to increase the level of our provisions, which could adversely affect our financial position. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse effect on our financial conditions.

All of the above legal proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. A significant degree of judgment is required to assess our exposure in the proceedings and determine the appropriate level of provisions, if any. For further details, see “Outstanding Litigation and Material Developments” on page 185 of this Preliminary Sale Document.

Taxes and other levies imposed by the Government or state governments, as well as other financial policies and regulations, may have a material adverse effect on our financial results.

Taxes and other levies imposed by the central or state governments in India that affect our industry include:

- customs duties on imports of feedstocks;
- excise duty on the manufacture of petrochemical products;
- central and state sales tax and other levies;
- income tax;
- value added tax;
- octroi tax and entry tax;
- turnover tax;
- service tax; and
- other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position and profitability. We have several disputes with central and state tax authorities where the authorities have made demands for payments of increased central excise and sales tax. For example, in fiscal 2004 the excise tax authorities have made a number of excise tax claims relating to our extraction of ethane/propane from natural gas as well as in respect of certain other raw materials that we process. These claims, including the penalty and interest thereon, were primarily responsible for the increase in our contingent liabilities from Rs. 128 million as of March 31, 2003 to Rs. 2,502 million as of December 31, 2003. For further details, please see “Outstanding Litigation and Material Developments” on page 185 of this Preliminary Sale Document.

Our operations and financial results are also subject to changes in the Government’s economic and fiscal policies. These cover many significant aspects of our operations and influence our commercial and strategic decisions, and thereby, our financial condition and results of operations. For example, during the nine months ended December 31, 2003, we engaged in significant trading activities to benefit from certain incentives under the Government’s export-import policy. This resulted in an increase in net sales of 50% in this period compared to the corresponding period in the prior fiscal year. In January 2004, the Government published a notification that these benefits would no longer be available in respect of traded goods purchased from other manufacturers. As a result of this, we expect that our trading activities and net sales of traded goods may decline substantially in future fiscal periods. Also see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Evaluation of Factors Affecting Our Operations - Trading Activities” and “Regulations and Policies”.

Our contingent liabilities as per Indian Accounting Standards, which may adversely affect our financial condition, are as follows:

As of December 31, 2003, our contingent liabilities included the following, none of which had been provided for in our accounts:

(a) Claims of Rs. 2,502 million in the aggregate by the customs and central excise authorities.

(b) Disputed income tax liability in respect of the following matters:

  (i) Claims of Rs. 894 million pending before the appellate authorities where we expect to succeed based on the same matters decided in our favor in the assessment years 1995-96 to 1997-98; and

  (ii) Claims of Rs. 32 million pending in appeal (other matters).

(c) Claims of Rs. 116 million in the aggregate with respect to sales tax liability.

(d) Claims of Rs. 1,598 million against us with respect to disputed liabilities not acknowledged as debts.

(e) Guarantees given to banks and financial institutions against credit facilities to third parties of Rs. 1,895 million.

To the extent that any of these contingent liabilities become actual liabilities in the future, they would adversely affect our results of operations and financial condition.

ICICI Bank has invoked a guarantee that we have given on behalf of GCPTCL, which subjects us to financial risk.

Along with several companies promoted by the Government of Gujarat, we established the GCPTCL joint venture, which owns and operates a modern liquid cargo handling jetty and storage facility at Dahej. This jetty is located close to our Gandhar complex and is used to import, unload and store feedstock such as propane and naphtha for our Gandhar and Vadodara complexes. We have invested Rs. 844 million in GCPTCL's equity, for a 41.8% interest in the company, the highest among all the shareholders. However, neither we nor certain other shareholders have yet been allocated shares representing our entire equity contributions made to GCPTCL. We are yet to be allocated shares representing Rs. 100 million of our Rs. 844 million investment. Once we and the other shareholders are allocated these shares, our interest in GCPTCL will decrease to 37%.

During the construction phase of GCPTCL we provided an interim guarantee for debentures aggregating Rs. 1,400 million in favour of ICICI Bank to enable it to lend funds on an interim basis to the project, pending closure of definitive financing arrangements by GCPTCL. According to the terms agreed with ICICI Bank, this guarantee was expected to terminate when GCPTCL obtained definitive financing. In January 2004, ICICI Bank issued a notice to us alleging that GCPTCL has not been able to service the loans due to a shortfall in revenue and invoked our guarantee to the extent of Rs. 241 million. We and GCPTCL are contesting this claim with ICICI Bank in the context of a financial restructuring of GCPTCL, which is currently in progress. If the restructuring is delayed or does not occur and ICICI Bank continues to claim amounts under our guarantee, our cash flows and financial position could be adversely affected.

We are yet to receive certain statutory approvals required in the ordinary course of business and the lack of such approvals could adversely affect our business.

We have applied for the renewal of the following approvals:

1. Our letter of intent for the manufacture of ACN up to 100,000 tpa, hydrocyanic acid up to 9,000 tpa and ammonium sulphate up to 12,000 tpa. We have applied for an extension from the Secretariat for Industrial Assistance.

2. A number of our licences for storage of various gases such as propylene, ethylene, LPG, VCM, butadiene 1,3 and ammonia in pressure vessels at our three complexes, issued by the Chief Controller of Explosives, have expired.

3. A number of our licences for import and storage of petroleum products at our Gandhar complex, issued by the Joint Chief Controller of Explosives, have expired.

4. Our licences under the Factories Act, 1948 for employment of more than 250 workers at our CATAD unit, to employ over 2450 persons and use over 142.5 megawatts of power at our Gandhar complex and to employ over 2500 persons and use over 745.7 megawatts at our Nagothane complex, have expired.

5. Our existing licences for the microwave radio link for pipeline communication at our Vadodara complex, on-site paging and use of walkie talkies at our Nagothane complex, and the wireless communication licences at our Gandhar complex, have expired.

6. Our sales tax registration for Gujarat does not include two of our offices at Kandla and Vadodara. We have applied to the sales tax authorities for the inclusion of these offices in the registration for Gujarat.

7. We require the approval of the Gujarat Pollution Control Board to operate a facility for collection, reception, storage, transport and disposal of bio-medical waste. We received an authorisation on a trial basis for our Vadodara complex which has expired. We have applied for the renewal of the authorisation which is pending before the Gujarat Pollution Control Board.

8. Our licence from the Gujarat Boiler Inspection Department for one of our boilers at the Vadodara complex has expired.

In addition to the above, we do not have building completion certificates and approvals for any of our buildings in Vadodara, Nagothane, Gandhar and CATAD.

Failure to obtain the renewal of any of the foregoing licences, certificates or approvals may adversely affect our business.

We are yet to execute lease deeds in respect of properties on which our plants are located.

We have not yet executed lease deeds for the land upon which our Vadodara and Gandhar complexes are situated. Although the Gujarat Industrial Development Corporation ("GIDC") has granted us possession of the properties and we continue make regular lease payments to the GIDC for these properties, there can be no assurance that the lease deeds will be executed. We are currently engaged in litigation with GIDC, in which GIDC has made a claim for increased rental payments. The lack of such lease deeds may adversely affect the outcome of such litigation or otherwise negatively impact us.

We are yet to have certain of our properties registered in our favour.

We have acquired real estate for the purposes of setting up our plants, offices and residential complexes, as well as for the sourcing of water from the river Mahi for our Vadodara complex. For the purposes of establishing our title to these properties we are required to approach the relevant registries of land records for registering our name in the land records. We are in possession of these properties and we continue to occupy the properties; however, the registration of the properties in our name has not been completed, which could adversely affect us.

External Risk Factors

Political, economic and social developments in India, particularly those affecting the states of Gujarat and Maharashtra, could adversely affect our business.

We derived 92% of our net sales from sales in India in fiscal 2003 and substantially all of our assets are located in India and all of our officers and directors are resident in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

Since achieving independence in 1947, India has had a mixed economy with a large public sector and an extensively regulated private sector. Indian central and state governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, the Government has significantly relaxed most of these restrictions. Nonetheless, the role of the Indian central and state governments in the Indian economy, as producers, consumers and regulators, remains significant in ways that directly affect us and other Indian companies. Changes in Indian government policies or future developments in the Indian economy may adversely affect our operations.

India last held general elections in October 1999 and the Government changed for the fifth time since 1996. No party won a majority of the seats in the Lok Sabha (the lower house of Parliament) in the elections. The present Government is made up of a multiparty coalition led by the Bharatiya Janata Party with Mr. A. B. Vajpayee as Prime Minister. The next general elections are expected to be held in April or May 2004. Political developments or political instability could delay the reforms of the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our equity shares.

The budget and fiscal policies for the fiscal year ending March 31, 2004 presented by the Government proposed the continuation of policies designed to promote economic deregulation and liberalisation. Although we believe that economic liberalisation will continue in the future, there is no assurance that this will be so.

In May 1998 India tested nuclear devices at Pokhran in the state of Rajasthan. In response to the nuclear tests, certain countries announced economic sanctions against India. These economic sanctions, among other things, prohibited several foreign banks from extending any loan or providing any credit to the Government, other than for the purchase of food or humanitarian aid, and further prohibited the export of specified goods and technology into India. These sanctions have since been substantially lifted. Any future trade prohibitions or controls may have an adverse effect on our ability to import certain types of raw materials from foreign sources or sell our products to foreign customers.

We are headquartered in the state of Gujarat and our Vadodara and Gandhar complexes are located in the state. In January 2001, several regions in Gujarat were devastated by an earthquake. While our business was not materially affected by the earthquake, it is possible that future earthquakes, cyclones, floods or other natural disasters in the state, particularly those that directly affect the areas in which our complexes and other operations are located, could result in substantial damage to our manufacturing facilities and other assets and adversely affect our operations and financial results. In February and March 2002, Gujarat witnessed widespread civil disturbances. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in the state could have an adverse impact on us. Our Nagothane facility is located in the state of Maharashtra. Maharashtra, in particular Mumbai, has had instances of civil unrest in recent years. Future civil unrest, other adverse social, economic or political incidents or natural disasters in Maharashtra or elsewhere in India could adversely affect us.

Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 and other acts of violence or war may negatively affect the Indian markets where our equity shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

For example, after the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries, concerning which the governments of India and Pakistan have recently been engaged in conciliatory efforts. These risks are of particular relevance to us because of our manufacturing and administrative operations in Gujarat, which shares a border with Pakistan and is likely to be affected in any outbreak of military hostilities.

Regional or international hostilities, terrorist attacks or other acts of violence or war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and on the market price of our equity shares.

You will not receive the equity shares you purchase in this Offer until several days after you pay for them, which will subject you to market risk.

The equity shares you purchase in this Offer will not be credited to your demat account with depository participants until approximately fifteen working days from the Bid Closing Date (or approximately ten working days from the date that you make payment for the equity shares). You can start trading your equity shares only after they have been credited to your demat account. Since the equity shares are already traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the equity shares to the date they are credited to your demat account. Further, there can be no assurance that the equity shares allocated to you will be credited to your demat account, or that trading in the equity shares will commence, within the time periods specified above.

After this Offer, the price of our equity shares may be volatile and may fluctuate significantly due to many factors, including variations in our operations and changes to the regulatory environment.

The prices of our equity shares on the Indian stock exchanges have fluctuated in the past and may continue to fluctuate after this Offer as a result of several factors, including:

- volatility in the Indian global securities markets;
- our results of operations and performance in terms of market share;
- changes in factors affecting general market valuations of companies in the petrochemicals industry, including changes in petrochemical prices;
- announcements by us or others of significant new capacity additions, feedstock supply arrangements, technological developments, contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- the performance of our competitors, the Indian petrochemicals industry, and the perception in the market about the investments in the petrochemicals sector;
- media reports about the Government's process of selling a part of its stake in us and other companies in which the Government has an equity participation;

- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies;
- significant developments in India's fiscal and environmental regulations; and
- significant developments in India's oil and gas policy, specifically proposals relating to the deregulation of gas prices.

Prior to this Offer, the Government held 33.95% of our equity shares, and RPiL held 46.02% of our equity shares. Consequently, only 20.03% of our equity shares have been subject to trading on the Indian stock exchanges. Following this Offer, the proportion of our equity shares subject to trading on the Indian stock exchanges may increase to 48.98%. We cannot assure you of the manner and extent to which an active trading market for our equity shares will develop or be sustained after this Offer, or that the Offer Price or the price at which our equity shares are initially traded will compare favourably to the prices at which our equity shares will trade in the market subsequent to this Offer. Further, the Government is planning to sell a portion of its shareholding in a number of other companies such as ONGC, GAIL, IBP Co. Limited, Dredging Corporation of India Limited and CMC Limited. These sales will be through public offerings which are due to occur at or about the time of this offering, and will result in a significant increase, within a very short period, of shares that are traded on the Indian stock exchanges. This may also adversely affect the market price of our equity shares.

Future sales of our equity shares or other securities could adversely affect the trading price of our equity shares.

The future disposal of our equity shares by RPiL or by other significant shareholders, or any future issuance of equity shares or other securities by us, may significantly affect the trading price of our equity shares. Under the SHA, RPiL is restricted from transferring, assigning, pledging, charging or otherwise disposing or encumbering the shares purchased from the Government except with the Government's approval. In addition, for a period of three years, RPiL is restricted from transferring the legal or beneficial ownership in the equity shares purchased under the SHA except to entities that are affiliates of RPiL. Except for these restrictions, there is no restriction on the ability of RPiL or our ability to dispose of or issue equity shares or other securities, and we cannot assure you that RPiL or we will not dispose of or issue equity shares or other securities.

Notes to Risk Factors:

1. The average cost of acquisition of equity shares of Rs. 10 each held by RPiL is Rs. 231.
2. The net worth of our Company as of December 31, 2003 was Rs. 22,049 million.
3. The net asset value per equity share of Rs. 10 each as of December 31, 2003 was Rs. 88.83.
4. For related party transactions, please refer to the details in "Related Party Transactions" on page 159 of this Preliminary Sale Document.
5. Investors are advised to refer to the section titled "Basis for Issue Price" on page 65 of this Preliminary Sale Document.
6. Investors may contact the BRLMs for any clarification or information relating to the Offer.
7. The present Offer is an offer for sale of up to 59,438,774 equity shares of Rs. 10 each at a price of Rs. [ ] for cash aggregating Rs. [ ] million, which may be enhanced to the extent of 5% of the paid-up capital of the Company, that is, by up to 12,411,282 equity shares of Rs. 10 each in the event that the Strategic Partner decides not to acquire these shares from the Selling Shareholder. For further details, please see "Terms of the Offer" on page 44 of this Preliminary Sale Document.
8. Upon the completion of this offering, the Government will continue to retain certain rights in our Company. Please see the risk factor "Following the completion of this Offer, the Government will continue to retain certain rights in our Company".

SUMMARY INFORMATION ON THE COMPANY

You should read the following summary together with the risk factors and the more detailed information about the Company and its financial results included elsewhere in this Preliminary Sale Document.

Overview of the Company

The Company is a leading Indian integrated manufacturer of petrochemical products. It was established in 1969 as a Government of India undertaking, with the objective of promoting the development of the petrochemicals industry and market in India. The primary products of the Company are polymers, fibres and fibre intermediates and chemicals, which accounted for 70%, 14% and 14%, respectively, of its net sales of Rs. 50,290 million in fiscal 2003. The Company derived 92% of its net sales in fiscal 2003 from sales in the Indian market and also exported its products to 45 countries. In the nine months ended December 31, 2003, the Company engaged in a significant amount of trading activities, as a result of which its net sales increased substantially to Rs. 54,781 million. The Company expects its trading activities to decline to the lower levels experienced in prior fiscal periods. The Company operates three integrated petrochemicals complexes, which are located in western India at Vadodara, Nagothane and Gandhar. The equity shares of the Company were listed on the Vadodara stock exchange in 1992 and on a number of other Indian stock exchanges subsequently.

In June 2002, the Government of India disinvested 26% of its shareholding in the Company to Reliance Petroinvestments Limited, which is a member company of the Reliance Group. The Reliance Group is one of India's largest business groups, with significant interests in a number of businesses, including petrochemicals. RPiL subsequently made a mandatory open offer to the Company's shareholders, and acquired an additional 20% of the Company's equity shares. Since this acquisition, the Company has benefited from a number of synergies with the Reliance Group.

Strategy of the Company

The business strategy of the Company is to consolidate its position in the Indian market, pursue growth opportunities in international markets and enhance its competitiveness. The Company intends to achieve this by:

Increasing its operating efficiency. The Company intends to focus on improving its operating efficiency by optimising its asset utilisation, achieving greater integration among its manufacturing complexes, reducing its operating costs and upgrading its processes and systems to benefit from new technologies.

Expanding its product offerings and developing new product applications. The Company intends to build on its experience of creating markets for new products by educating potential customers on the benefits of these products and by working with them to create solutions for their petrochemical product needs.

Participating in growing global markets. The Company intends to develop its participation in global markets, which will give it opportunities to develop new product grades and applications, improve the quality of its products and thereby create greater demand for its products.

Expanding its production capacity. The Company expects the demand for petrochemical products, particularly in India, to increase and expects to meet this increase in demand by expanding its manufacturing capacity or setting up new capacity.

Leveraging its domestic distribution organisation. The Company intends to leverage its marketing and distribution network to expand sales to its customers, as well as target segments of the market such as automobiles, telecommunications, agriculture and household appliances, where the Company expects to see greater demand for petrochemical products.

Focusing on research and development. The Company intends to focus on its research and development capabilities to develop a wider range of applications for its products, thereby increasing the overall demand for its products.

Summary Financial Information of the Company

The following summary financial information has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines, and restated as described in the Auditor's Report dated February 10, 2004 in the section titled "Restated Financial Statements". You should read this summary financial information in conjunction with the Company's restated financial statements for fiscal 1999, 2000, 2001, 2002 and 2003 and for the nine months ended December 31, 2002 and 2003, including the notes thereto and the report thereon, and "Management's Discussion and Analysis of Financial Condition and Results of Operations", which appear elsewhere in this Preliminary Sale Document. Indian GAAP differs in certain significant respects from US GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and US GAAP" on page 260 of this Preliminary Sale Document.

Summary of Profit and Loss Statement, as Restated

(Rs. million)

	Financial year ended March 31,					Nine month period ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
Income							
Net Sales							
Of Products manufactured by the Company	31,129	40,318	49,614	47,342	49,838	36,341	42,747
Of Products traded in by the Company	19	283	446	57	452	214	12,034
Total	**31,148**	**40,601**	**50,060**	**47,399**	**50,290**	**36,555**	**54,781**
Other Income	627	719	1,348	1,319	1,051	537	792
Total Income	**31,775**	**41,320**	**51,408**	**48,718**	**51,341**	**37,092**	**55,573**
Total Expenditure	**31,377**	**39,328**	**48,669**	**48,020**	**48,148**	**35,451**	**52,367**
Net Profit before extraordinary, non recurring and prior period adjustments	**398**	**1,992**	**2,739**	**698**	**3,193**	**1,641**	**3,206**
Extraordinary, Non-Recurring and Prior Period Items (Expense) /Income	(69)	(21)	(19)	408	(567)	-	(1,442)
Profit before Tax	**329**	**1,971**	**2,720**	**1,106**	**2,626**	**1,641**	**1,764**
Less: Taxation - Current	35	83	231	(56)	190	120	20
Less: Taxation - Deferred	-	-	-	88	395	375	-
Net Profit after Tax as per audited statement of accounts	**294**	**1,888**	**2,489**	**1,074**	**2,041**	**1,146**	**1,744**
Impact on account of changes in accounting policy and prior period adjustments	(1,373)	(1,280)	(778)	(393)	(200)	(222)	(700)
Adjusted Profit / (Loss)	**(1,079)**	**608**	**1,711**	**681**	**1,841**	**924**	**1,044**

Summary of Assets and Liabilities, as Restated

(Rs. million)

		As at March 31,					As at December 31,	
		1999	**2000**	**2001**	**2002**	**2003**	**2002**	**2003**
A.	**Fixed assets**							
	Net Block	**38,976**	**60,907**	**58,540**	**55,286**	**58,042**	**56,942**	**54,686**
	Add: Capital Work in Progress	20,506	1,305	859	5,839	426	435	567
	Total	**59,482**	**62,212**	**59,399**	**61,125**	**58,468**	**57,377**	**55,253**
B.	**Investments (Unquoted)**	**697**	**741**	**1,091**	**1,121**	**885**	**1,645**	**1,567**
C.	**Current Assets, Loans and Advances**							
	Inventories	6,834	7,780	8,726	6,998	9,788	9,181	10,301
	Sundry Debtors	3,850	4,286	3,631	3,210	2,981	3,065	5,939
	Cash and Bank Balances	3,958	3,874	3,500	2,340	211	885	239
	Loans and Advances	7,757	6,048	5,029	4,842	5,645	4,709	4,924
	Total	**22,399**	**21,988**	**20,886**	**17,390**	**18,625**	**17,840**	**21,403**
D.	**Liabilities and Provisions**	**63,457**	**65,758**	**61,197**	**60,042**	**57,041**	**56,308**	**56,174**
E.	**Net Worth (A+B+C-D)**	**19,121**	**19,183**	**20,179**	**19,594**	**20,937**	**20,554**	**22,049**
	Net Worth represented by							
F.	**Share Capital**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**
G.	**Reserves and Surplus**	**17,407**	**17,409**	**18,257**	**17,452**	**18,663**	**18,376**	**19,681**
H.	**Miscellaneous Expenditure to the extent not written off**	**776**	**716**	**568**	**348**	**216**	**312**	**122**
I.	**Net Worth (F+G-H)**	**19,121**	**19,183**	**20,179**	**19,594**	**20,937**	**20,554**	**22,049**

Other Accounting and Equity Share Data

	Financial year ended March 31,					Nine month period ended December 31,	
	1999	**2000**	**2001**	**2002**	**2003**	**2002**	**2003**
Equity Share Data							
Numbers of equity shares outstanding at the year end	248,223,792	248,224,892	248,225,522	248,225,622	248,225,622	248,225,622	248,225,622
Weighted Average Numbers of Equity Shares at the year end	248,222,547	248,224,342	248,225,207	248,225,572	248,225,622	248,225,622	248,225,622
Accounting Ratios							
Earning per Share (Rs.)	(4.35)	2.45	6.90	2.74	7.42	3.72	4.21
Net Asset Value per Share (Rs.)	77.03	77.28	81.29	78.94	84.35	82.80	88.83
Return on Net worth (%)	(5.64)	3.17	8.48	3.48	8.79	4.50	4.73

U.S. Dollar Translation

The following table shows, for convenience purposes only, the U.S. Dollar translation of certain financial data as of March 31, 2003 and for the fiscal year then ended and as of December 31, 2003 and for the nine months then ended.

The convenience translation of the profit and loss data is based on the average of the daily noon buying rate in the City of New York for each day in the applicable period. The average rate used for the profit and loss data for fiscal 2003 and the nine months ended December 31, 2003 is Rs. 48.43 and Rs. 46.20, respectively, to one U.S. Dollar.

The convenience translation of the assets and liabilities data is based on the noon buying rate in the City of New York on the last business day of the applicable period. The rate used for the assets and liabilities data as of March 31, 2003 and December 31, 2003 was Rs. 47.53 and Rs. 45.55, respectively, to one U.S. Dollar.

Also see "Certain Conventions; Presentation of Financial and Market Data - Currency of Presentation" on page 11 of this Preliminary Sale Document.

(U.S. Dollars million)

Profit and Loss Data	**Fiscal 2003**	**Nine month period ended December 31, 2003**
Net Sales		
Of Products manufactured by the Company	1,029	925
Of Products traded in by the Company	9	260
Total	1,038	1,186
Total Income	1,060	1,203
Total Expenditure	994	1,133
Profit before Tax	54	38
Net Profit after Tax as per audited statement of accounts	42	38
Adjusted Profit / (Loss)	38	23

Assets and Liabilities Data	**As at March 31, 2003**	**As at December 31, 2003**
Fixed Assets	1,230	1,213
Investments	19	34
Current Assets, Loans and Advances	392	470
Liabilities and Provisions	1,200	1,233
Share Capital	52	55
Reserves and Surplus	393	432
Net Worth	442	484

SECTION II - OFFER FOR SALE BY THE SELLING SHAREHOLDER

GENERAL INFORMATION

AUTHORITY FOR THE OFFER

As per the letter dated January 15, 2004, from the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, the Government has approved the disinvestment of its residual shareholding in the Company by way of an offer for sale of its shareholding in the domestic market. Pursuant to the decision taken by the Government, the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals acting for and on behalf of the President of India, has been authorised to (i) offer up to 71,850,056 equity shares of Rs. 10 each held by the President of India in IPCL by way of an offer for sale through domestic offer and (ii) out of the above equity shares up to 12,411,282 equity shares will be offered to the public for allocation as a part of the Offer in the event such other additional number of equity shares are not purchased by the Strategic Partner pursuant to the exercise of its rights as per the provisions of the Amendment Agreement.

As per the letter no. 7(41)/2003-MODI (Pt), dated February 6, 2004 from the Ministry of Disinvestment, the Government has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for 100% Book Building Process. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save for deviations specified in the aforementioned letter would be adopted.

The Company has approved the Offer through a resolution of the Board of Directors dated January 21, 2004. The Company has approved this Preliminary Sale Document through a resolution of the Board of Directors dated February 11, 2004. The Board of Directors has certified that all disclosures made in the Preliminary Sale Document are true and correct.

The Offer is for up to 59,438,774 equity shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million. The Offer would constitute 23.945% of the paid-up equity share capital of the Company.

The size of the Offer may be enhanced to the extent of up to 5% of the paid-up equity share capital of the Company (up to 12,411,282 equity shares of Rs. 10 each) on the terms and conditions as set out in this Preliminary Sale Document. In such an event the total Offer may be up to 71,850,056 equity shares of Rs. 10 each.

The Selling Shareholder has good and clear title to the equity shares forming part of this Offer and the equity shares are free of all restrictions on transfer, liens, encumbrances, security interests and claims whatsoever. There are no legal or regulatory restrictions on the Selling Shareholder undertaking this Offer.

DISCLAIMER CLAUSE

THE SHARES OFFERED UNDER THIS SALE OFFER BEING ALREADY LISTED ON THE STOCK EXCHANGES, THE SEBI GUIDELINES FOR PUBLIC ISSUES/OFFERS ARE NOT APPLICABLE TO THIS SALE OFFER BY THE SELLING SHAREHOLDER. THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION DECIDED TO FOLLOW THE PROCESS THAT IS SUBSTANTIALLY SIMILAR TO THE PROCESS SPECIFIED IN THE SEBI GUIDELINES. HOWEVER THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER DOCUMENT OR PROSPECTUS IN TERMS OF THE SEBI GUIDELINES. THIS IS NOT A DOCUMENT ISSUED BY OR ON BEHALF OF THE COMPANY. THE DOCUMENT HAS BEEN VOLUNTARILY FORWARDED BY THE SELLING SHAREHOLDER TO SEBI FOR SEEKING ITS GUIDANCE/SUGGESTIONS AND THE SELLING SHAREHOLDER HAS ON ITS OWN VOLITION ALSO DECIDED ON THE TERMS OF THE OFFER, PRICE BAND, ALLOCATION PATTERN ETC. SEBI'S GUIDANCE TO THE SELLING SHAREHOLDER SHOULD NOT IN ANY WAY BE CONSTRUED OR DEEMED THAT THE SALE DOCUMENT HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECTS OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE SALE DOCUMENT. THE COMPANY HAS CONFIRMED THAT THE REQUIREMENTS UNDER THE LISTING AGREEMENT HAVE BEEN COMPLIED WITH.

THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, SBI CAPITAL MARKETS LIMITED AND JM MORGAN STANLEY PRIVATE LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 23, 2004 WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PRELIMINARY SALE DOCUMENT PERTAINING TO THE SAID OFFER.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

- **THE PRELIMINARY SALE DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
- **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- **THE DISCLOSURES MADE IN THE PRELIMINARY SALE DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER;**

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PRELIMINARY SALE DOCUMENT ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

THE BRLMs HAVE DELIVERED A DUE DILIGENCE CERTIFICATE TO THE SELLING SHAREHOLDER DATED FEBRUARY 11, 2004.

CAUTION

The Selling Shareholder, the Company, its Directors and the BRLMs accept no responsibility for statements made otherwise than in this Preliminary Sale Document or in the advertisements or any other material issued by or at their instance and anyone placing reliance on any other source of information, including the Company's website, www.ipcl.co.in, would be doing so at his or her own risk. However, the Company accepts responsibility for information that it has disclosed to the public in the past pursuant to the requirements of the listing agreements with the Stock Exchanges.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs, the Selling Shareholder and the Company and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholder and the Company.

All information shall be made available by the Selling Shareholder, the Company and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports or at bidding centres.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares), permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Preliminary Sale Document does not, however, constitute an offer to sell or an invitation to subscribe to equity shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Preliminary Sale Document comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Vadodara only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Preliminary Sale Document has been voluntarily forwarded by the Selling Shareholder to the SEBI and the SEBI has provided guidance and suggestions regarding this Preliminary Sale Document.

Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Preliminary Sale Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Preliminary Sale Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of IPCL since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF NSE

A copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter NSE/LIST/61588 dated February 4, 2004 granted permission to the company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company.

Every person who desires to apply for or otherwise acquire any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF BSE

The Stock Exchange, Mumbai ("the Exchange") has informed vide its letter dated February 3, 2004 to use the Exchange's name in this offer document. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:

i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

ii) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

And it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

FILING

SEBI has in its letter dated February 7, 2004 stated that the *"Sale Document is not a document issued by or on behalf of the Company and the document may be filed with the Registrar of Companies, if required."* The Department of Company Affairs, Ministry of Finance, Government of India has in its letter (D.O. No. 1/32/10-D. Cell) dated February 10, 2004, noted that SEBI has informed that the offer document is to be called a "Preliminary Sale Document" and accordingly, therefore, the Ministry of Disinvestment may file this Preliminary Sale Document with the Registrar of Companies, along with the requisite fee so that it can be placed on record for public inspection. Accordingly, a copy of the Preliminary Sale Document, along with the supporting documents is being filed with the Registrar of Companies, Gujarat at Ahmedabad and a copy of the Final Sale Document will be filed with the Registrar of Companies, Gujarat at Ahmedabad, for public inspection.

A copy of this draft Preliminary Sale Document has been voluntarily filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021 for the purposes of guidance only.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Offer; and (b) Book Running Lead Managers to the Offer and Syndicate Members, Escrow Collection Bankers, and Registrar to the Offer, to act in their respective capacities, have been obtained and filed along with a copy of the Preliminary Sale Document with the Registrar of Companies, Gujarat located at Ahmedabad.

Deloitte Haskins & Sells, chartered accountants, the statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Preliminary Sale Document and such consent and report has not been withdrawn up to the time of delivery of this Preliminary Sale Document for registration to the RoC.

Expert Opinion

Except as stated elsewhere in this Preliminary Sale Document, the Selling Shareholder has not obtained any expert opinions.

Basis of Allocation

The present Offer is of up to 59,438,774 equity shares of Rs.10 each which may be enhanced up to 71,850,056 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option to acquire up to 12,411,282 equity shares of Rs. 10 each which will be offered to the public for allocation as a part of the Offer only in the event these shares are not purchased by the Strategic Partner pursuant to the exercise of its rights as per the provisions of the Amendment Agreement. The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which equity shares will be transferred to Non Institutional Bidders and QIBs. The Selling Shareholder has voluntarily decided that the basis of allocation for this Offer is as follows:

For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Offer Price. The Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price, to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which equity shares will be transferred to Non Institutional Bidders and QIBs.
- The Offer size less allocation to Non Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.
- If the aggregate demand in this category is less than or equal to the Retail Portion at or above the Offer Price within the Price Band, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than Retail Portion at or above the Offer Price within the Price Band, the allocation shall be made on a proportionate basis up to a minimum of one equity share. For the method of proportionate basis of allocation, refer below.

For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all successful Non Institutional Bidders will be made at the Offer Price.
- The Offer size less allocation to QIBs and Retail Portion shall be available for allocation to Non Institutional Bidders who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.
- If the aggregate demand in this category is less than or equal to the Non Institutional Portion at or above the Offer Price within the Price Band, full allocation shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than the Non Institutional Portion at or above the Offer Price within the Price Band, allocation shall be made on a proportionate basis up to a minimum of one equity share. For the method of proportionate basis of allocation refer below.

For QIBs

- Bids received from the QIB Bidders at or above the Offer Price within the Price Band shall be grouped together to determine the total demand under this category. The allocation to all the QIBs will be made at the Offer Price.
- The Offer size less allocation to Non Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Offer at a price which is equal to or greater than the Offer Price within the Price Band.
- The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria which will typically include but not be limited to the following: prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date.

In terms of the Amendment Agreement, no person in his or her individual capacity will be allocated more than 5% of the total paid up voting equity share capital of the Company and no single public financial institutions, multilateral or bilateral development financial institutions, scheduled commercial banks, mutual funds, foreign institutional investors and venture capital funds may be allocated up to 10% of the total paid up voting equity share capital of the Company. For further details see "Offer Structure" below.

Method of Proportionate Basis of Allocation

In the event the Offer is oversubscribed, the basis of allocation to Retail Individual and Non Institutional Bidders shall be finalised in consultation with the Designated Stock Exchange. The Executive Director or Managing Director of the Designated Stock Exchange along with the BRLMs and the Registrar to the Offer shall be responsible for ensuring that the basis of allocation is finalised in a fair and proper manner.

The allocation shall be made on a proportionate basis by adopting the applicable guidelines of SEBI in this respect as amended from time to time. Currently, the allocation shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of equity shares applied for.

b) The total number of equity shares to be allocated to all successful Retail Individual Bidders and Non Institutional Bidders as a whole in their respective categories shall be made on a purely proportionate basis depending on the oversubscription level within that category rounded off to the nearest integer. For e.g. if the Retail Portion is oversubscribed 10 times all successful bidders would be allocated 1/10th of the equity shares for which they have submitted bids.

c) If the equity shares allocated on a proportionate basis to any category are more than the equity shares allocated to the Bidders in that category, the remaining equity shares available for allocation shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allocation to the successful bidders in that category. The balance equity shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of equity shares.

Expenses of the Offer

The expenses of the Offer payable by the Selling Shareholder includes fees payable to the BRLMs, Syndicate Members, other advisors to the Offer, fees of Legal Advisors to the Offer and Auditors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, depositories charges, fees payable to the Registrar to the Offer and other miscellaneous expenses will be met out of the proceeds of the Offer.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the letter of appointment dated November 28, 2003 issued by the Selling Shareholder, a copy of which is available for inspection at the corporate office of the Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the letter of appointment dated January 21, 2004, a copy of which is available for inspection at the corporate office of the Company.

Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allocation advice by registered post.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

WITHDRAWAL OF THE OFFER

The Selling Shareholder, in consultation the BRLMs, reserves the right not to proceed with the Offer anytime after the Bid/Offer Opening Date without assigning any reason thereto.

TRANSFER OF EQUITY SHARES OR REFUND ORDERS

The Company shall facilitate the Selling Shareholder to give credit to the Beneficiary Account with Depository Participants within two working days of finalisation of the basis of transfer of equity shares. The Company shall facilitate the Selling Shareholder to dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

The Selling Shareholder undertakes that:

- Allocation of equity shares will be made only in dematerialised form within 15 working days from the Bid/Offer Closing Date;
- Dispatch of refund orders will be done within 15 working days from the Bid/Offer Closing Date; and
- The Selling Shareholder shall pay interest at 15% per annum (for any delay beyond the 15 working day time period as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 working day time prescribed above.

The Selling Shareholder will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Offer.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Selling Shareholder, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

OFFER PROGRAM

BID/OFFER OPENS ON	:	**FEBRUARY 20, 2004**
BID/OFFER CLOSES ON	:	**FEBRUARY 27, 2004**

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Offer Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded until such time as may be permitted by the BSE and NSE on the Bid/Offer Closing Date.

The Selling Shareholder and the BRLMs shall advertise the Price Band prior to the Bid Opening Date in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati). The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid Opening Date. In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati).

BOOK RUNNING LEAD MANAGERS		
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229, Nariman Point Mumbai 400 021 Tel: +91 22 5634 1100 Fax: +91 22 2284 0492 Email: ipcl.offer@kotak.com	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Tel: +91 22 2218 9166 Fax: +91 22 2218 8332 Email: ipcl.offer@sbicaps.com	**JM Morgan Stanley Private Limited** 141, Maker Chambers III Nariman Point Mumbai 400 021 Tel: +91 22 5630 3030 Fax: +91 22 2202 8224 Email: ipcl.offer@jmmorganstanley.com

SYNDICATE MEMBER

Kotak Securities Limited
Bakhtawar, 3rd Floor
229, Nariman Point
Mumbai 400 021
Tel: +91 22 5634 1100
Fax: +91 22 5630 3927

STATEMENT OF INTER SE ALLOCATION OF RESPONSIBILITY AS FURNISHED TO THE SELLING SHAREHOLDER

The inter-se break up of responsibility and co-ordination roles amongst the BRLMs is as follows:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	KMCC, SBICAPS, JMMS	SBICAPS
Due diligence of the Company's operations / management / business plans/legal etc.	KMCC, SBICAPS, JMMS	SBICAPS
Drafting and Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	KMCC, SBICAPS, JMMS	SBICAPS
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	KMCC, SBICAPS, JMMS	SBICAPS
Appointment of Registrar, Bankers, Printer and Ad Agency	KMCC, SBICAPS, JMMS	KMCC
Marketing of the Offer, which will cover inter alia, Formulating marketing strategies, preparation of publicity budget Finalise Media and PR strategy Finalising centers for holding conferences for brokers, etc. Finalise collection centers Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	KMCC, SBICAPS, JMMS	KMCC
Finalising the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	KMCC, SBICAPS, JMMS	JMMS
Managing the Book	KMCC, SBICAPS, JMMS	KMCC
Finalising of Pricing and Allocation	KMCC, SBICAPS, JMMS	JMMS

Activities	Responsibility	Co-ordinator
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	KMCC, SBICAPS, JMMS	JMMS
The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	KMCC, SBICAPS, JMMS	JMMS

Registered Office of the Company
P.O. Petrochemicals
Dist. Vadodara 391 346
Gujarat, India
Tel.: +91 265 2232761
Fax: +91 265 2266164
Email: InvestorRelations.Corpo@ipcl.co.in

Deputy Company Secretary and Compliance Officer
Ms. Shashikala Rao
Fosbery Road
Off Reay Road Station (East)
Sewree, Mumbai 400 033
Tel.: +91 22 3041 1880
Fax: +91 22 3041 1069

Registrar to the Offer

Karvy Consultants Limited
Unit - IPCL Public Offer
Karvy House, 46 Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034
Tel.: +91 40 2332 3031
Fax: +91 40 2330 4703
Email: ipcloffer@karvy.com
Contact Person: S. Venkatachalam

It is the obligation of the Selling Shareholder to redress the complaints, if any, of investors participating in this Offer. The Selling Shareholder has authorized the Deputy Company Secretary and Compliance Officer of the Company and the Registrar to the Offer to redress the complaints, if any, of investors participating in this Offer. Investors can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allocation, credit of allocated shares in the respective beneficiary accounts, refund orders etc.

Indian Legal Advisors to the Offer

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel: +91 22 2496 4455 / 5660 4455
Fax: +91 22 2496 3666 / 5662 8466

Amarchand Towers
216,
Okhla Industrial Estate,
Phase - III
New Delhi 100 013
Tel: +91 11 2692 0500
Fax: +91 11 2692 0400

International Legal Counsel to the Offer

(Advising on matters pertaining to the laws of the State of New York and the Federal law of the United States of America)

Cravath, Swaine & Moore LLP
CityPoint, One Ropemaker Street
London EC2Y 9HR
England
Tel: +44 20 7453 1000
Fax: +44 20 7860 1150

Auditors to the Company

Deloitte Haskins & Sells
12, Dr. Annie Besant Road
Opp. Shiv Sagar Estate
Worli
Mumbai 400 018
Tel: +91 22 5667 9000
Fax: +91 22 5667 9100

Escrow Collection Banks and Bankers to the Offer

1. **Kotak Mahindra Bank Limited**
   Bakhtawar, 2nd Floor
   229 Nariman Point
   Mumbai 400 021
   Fax: +91 22 2281 7527

2. **State Bank of India**
   New Issue Division
   Mumbai Main Branch
   Mumbai Samachar Marg
   Mumbai 400 023
   Fax: +91 22 2267 0745

3. **HDFC Bank Limited**
   Financial Institutions and Government Business Group
   6th Floor, HT House
   18-20 KG Marg
   New Delhi 110 001
   Fax: +91 11 2335 9601

4. **IDBI Bank Limited**
   Surya Kiran Building
   19 KG Marg, New Delhi 110 001
   Fax: +91 11 2335 8297

5. **Canara Bank**
   38 Ansals Tower, Nehru Place
   New Delhi 110 019
   Fax: +91 11 2628 6075

Bankers to the Company

1. **State Bank of India**
   Corporate Accounts Group
   58, Shrimali Society, Navrangpura
   Ahmedabad 380 009
   Tel: +91 79 656 1044
   Fax: +91 79 6561 178

2. **Bank of India**
Vadodara Main Branch
Raopura, P.O. Box 132
Vadodara 390 001
Tel: +91 265 2434 316
Fax: +91 265 2431 331

3. **Bank of Baroda**
IPCL Branch
P.O Petrochemical Township
Baroda 391 345
Tel: +91 265 2266 376
Fax: +91 265 2265 213

4. **State Bank of Saurashtra**
Industrial Finance Branch
Gujarat Chamber of Commerce Building
Ashram Road
Ahmedabad 380 009
Tel: +91 79 6584 155
Fax: +91 79 6583 453

5. **HDFC Bank Limited**
Ground Floor
'Basant House'
Navrangpura Post Office
Ahmedabad 380 009
Tel: +91 79 6425 003
Fax: +91 79 6560 503

6. **Bank of America**
Express Towers
Nariman Point
Mumbai- 400 021
Tel: +91 22 2285 2882
Fax: +91 22 2204 5740

7. **Citibank N.A.**
Citibank Center
Bandra-Kurla Complex
Bandra East
Mumbai 400 051
Tel: +91 22 2653 5757

8. **Standard Chartered Bank**
Corporate and Institutional Banking
90 Mahatma Gandhi Road
II Floor, Fort
Mumbai 400 001
Tel: +91 22 2265 2801
Fax: +91 22 2262 4912

9. **ABN Amro Bank N.V.**
4th Floor, Sakhar Bhavan
Nariman Point
Mumbai 400 021
Tel: +91 22 5637 2500
Fax: +91 22 5637 2449

Book Building Process

Book Building refers to the collection of Bids from investors, which is based on the Price Band, with the Offer Price being finalised after the Bid/Offer Closing Date. The principal parties involved in the Book Building Process are:

1. The Selling Shareholder;
2. Book Running Lead Managers; and
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters.

The equity shares being offered pursuant to this Offer are already listed and consequently the SEBI guidelines for public issues/offers do not apply to this Offer. However, the Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save for certain deviations would be adopted. Pursuant to the decision of the Selling Shareholder, up to 50% of the Offer shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria which will typically include but not be limited to the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date. Further, not less than 25% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price within the Price Band.

In this regard, the Selling Shareholder has appointed the BRLMs to procure Bids in the Offer.

The process of book building is relatively new and the investors are advised to make their own judgement about investment through this process prior to making a Bid in the Offer. QIBs are not allowed to withdraw their Bid after the Bid/Offer Closing Date. For further details see "Terms of the Offer" on page 44 of this Preliminary Sale Document.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for bidding (for further details see "Terms of the Offer" on page 44 of this Preliminary Sale Document);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Preliminary Sale Document and in the Bid-cum-Application Form.

Underwriting Agreement

The underwriting arrangement is not mandatory and is based on the contractual arrangement between the Selling Shareholder, the Company and the Underwriters.

After the determination of the Offer Price and prior to filing of the Final Sale Document with RoC, the Selling Shareholder and the Company will enter into an Underwriting Agreement with the Underwriters for the equity shares proposed to be offered through the Offer. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfill their underwriting obligations.

Pursuant to the Underwriting Agreement, the Underwriter will indicate, their intention to underwrite the following number of equity shares:

(This portion has been intentionally left blank and will be filled in before filing of the Final Sale Document with RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
KOTAK MAHINDRA CAPITAL COMPANY LTD. Bakhtawar, 3rd Floor 229, Nariman Point, Mumbai 400 021	[●]	[●]
SBI CAPITAL MARKETS LIMITED 202, Maker Tower 'E' Cuffe Parade, Mumbai 400 005	[●]	[●]
JM MORGAN STANLEY PRIVATE LIMITED 141, Maker Chambers III Nariman Point, Mumbai 400 021	[●]	[●]
KOTAK SECURITIES LIMTED Bakhtawar, 1ST Floor 229, Nariman Point, Mumbai 400 021	[●]	[●]

The above mentioned table is indicative of the underwriting and this would be finalised after determination of the Offer size, pricing and allocation. The above Underwriting Agreement is dated [ ].

In the opinion of the Selling Shareholder and the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The Selling Shareholder and the Company have accepted and entered into the Underwriting Agreement mentioned above on [ ], 2004.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to equity shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Preliminary Sale Document and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

Applicability of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

Any acquisition of equity shares in this Offer will not be exempted from the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any acquirer of shares breaching any of the thresholds prescribed in these regulations should ensure that they comply with the requirements of these regulations.

OBJECTS OF THE OFFER

The Joint Secretary, Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, Government of India acting on behalf of the President of India proposes to carry out the disinvestment of up to 59,438,774 equity shares of Rs. 10 each in the Company through this Preliminary Sale Document.

The size of the Offer may be enhanced to the extent of up to 5% of the paid-up capital of the Company (up to 12,411,282 equity shares of Rs.10 each) on the terms and conditions as set out in thhis Preliminary Sale Document. In such an event the offer may be of up to 71,850,056 equity shares of Rs. 10 each. For further details see "Terms of the Offer" on page 44 of this Preliminary Sale Document.

The Company will not receive any proceeds from the Offer.

TERMS OF THE OFFER

The equity shares being offered are subject to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, the Securities Contract (Regulation) Rules, 1957, the Memorandum and Articles, the conditions of the FIPB and RBI approvals, the terms of this Preliminary Sale Document, Final Sale Document, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions incorporated in the other documents/ certificates that may be executed in respect of the Offer. The equity shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/ or other authorities, as in force on the date of the Offer and to the extent applicable. The equity shares being offered pursuant to this Offer are already listed. As advised by SEBI in its letters dated January 29, 2004 and February 7, 2004, the SEBI Guidelines for public issues/offers do not apply to a listed Company facilitating one of the shareholders to dispose of its holding through an offer for sale, such as this Offer. However, the Selling Shareholder has informed the BRLMs and the Company by its letters dated February 6, 2004, that it has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process. Further, the processes, procedures and practices, which are generally followed in the 100% book building process save the deviations indicated in the letter dated February 6, 2004 would be adopted for this Offer.

AUTHORITY FOR THE OFFER

In terms of the provisions of the Amendment Agreement, the Selling Shareholder has the option to sell in and/or outside India all or any of the voting equity shares held by it, in one or more tranches, directly or indirectly (including without any limitation, by means of an offering of shares, ADR, GDR or any other convertible security) to the public or through a private placement including without limitation, through an offer for sale (as contemplated by SEBI (Disclosure and Investor Protection) Guidelines, 2000 or through the facilities of any Stock Exchange or a combination of any of the above (any such sale being referred to as Public Sale); subject to a right of first refusal being provided to the Strategic Partner for such number of voting equity shares which is the lesser of 5% of the equity share capital of the Company and the number of voting equity shares of the Company that is required by the Strategic Partner to increase its direct and indirect shareholding in the Company to 51% in the event the Public Sale is made during the one year period commencing on January 15, 2004. For further details of the Amendment Agreement see "Our Promoter" on page 150 of this Preliminary Sale Document. Accordingly, the Selling Shareholder has the option to sell up to 71,850,056 equity shares of Rs. 10 each of the Company by way of an offer for sale; out of the above equity shares, upto 12,411,282 equity shares will be offered to the public for allocation as a part of the Offer in the event these equity shares are not purchased by Strategic Partner pursuant to the exercise of its rights as per the provisions of the Amendment Agreement.

As per the letter dated January 15, 2004, from the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, the Government has approved the disinvestment of its residual shareholding in IPCL by way of offer for sale of its shareholding in the domestic market. Pursuant to the decision taken by the Government, the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals acting for and on behalf of the President of India, has been authorised to (i) offer up to 71,850,056 equity shares of Rs. 10 each held by the President of India in IPCL by way of an offer for sale through domestic offer and (ii) out of the above equity shares upto 12,411,282 equity shares will be offered to the public for allocation as a part of the Offer in the event such other additional number of equity shares are not purchased by Strategic Partner pursuant to the exercise of its rights as per the provisions of the Amendment Agreement.

As per the terms of the Amendment Agreement, in the event of the Selling Shareholder making an offer for sale of its shareholding in the Company to the public, within a period of one year of signing of the Amendment Agreement, the Selling Shareholder is required to offer to the Strategic Partner, such number of equity shares of the Company being the lesser of, 5% or the number of equity shares needed for the Strategic Partner to increase its shareholding to 51%. In terms of the Amendment Agreement, no person in its individual capacity will be allocated more than 5% of the total paid up voting equity share capital of the Company and no single public financial institutions, multilateral or bilateral development financial institutions, scheduled commercial banks, mutual funds, foreign institutional investors and venture capital funds may be allocated up to 10% of the total paid up voting equity share capital of the Company. For further details see "Offer Structure" below.

In view of the approvals listed below, the Selling Shareholder can undertake this Offer and no further approvals from any Governmental authority/RBI are required.

The Company has received approvals from the Government of India, Ministry of Finance (Department of Economic Affairs) pursuant to its letter no. FC.II.17(2004)/17(2004) dated January 28, 2004 for the transfer of equity shares in this Offer to foreign institutional investors registered with SEBI, NRIs, Foreign Venture Capital Institutions and Multilateral and Bilateral development financial institutions on a repatriation basis. The Company has received the approval from the RBI for transfer of shares in this Offer to Non Resident Indians, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial institutions, pursuant to its letter no. EC.CO.FID/ 6461 / 10.I.07.02.200(546)/2003-04 dated February 6, 2004.

As per the letter no. 7(41)/2003-MODI (Pt), dated February 6, 2004, from the Ministry of Disinvestment, the Government has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for 100% Book Building Process. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save for deviations specified in the aforemention letter would be adopted.

The Department of Company Affairs, Ministry of Finance, Government of India has in its letter (D.O. No. 1/32/10-D. Cell) dated February 10, 2004, noted that SEBI has informed that the offer document is to be called a "Preliminary Sale Document" and accordingly, therefore, the Ministry of Disinvestment may file this Preliminary Sale Document with the Registrar of Companies, along with the requisite fee so that it can be placed on record for public inspection.

The Company has approved the Offer through a Board Resolution dated January 21, 2004. The Company has approved this Preliminary Sale Document by a resolution of its Board of Directors dated February 11, 2004.

RANKING OF EQUITY SHARES

The equity shares being offered are subject to the provisions of the Memorandum and Articles and as the equity shares are already listed they rank pari-passu with the existing equity shares of the Company, including rights in respect of dividends.

FACE VALUE AND OFFER PRICE

The equity shares with a face value of Rs. 10 each are being offered in the Offer at a price of Rs. [●] per share. After the determination of the Offer Price, the Selling Shareholder shall transfer the equity shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which equity shares will be transferred to Non Institutional Bidders and QIBs.

At any given point of time there shall be only one denomination of the equity shares.

MINIMUM SUBSCRIPTION

This being an offer for sale and the equity shares being offered pursuant to this Offer are already listed on the Stock Exchanges, the requirement of minimum subscription is not a pre-condition for completion of the Offer.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allocated bonus shares, if announced;
- Right to receive surplus on liquidation;
- The right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles.

For a detailed description of the main provisions of the Articles dealing with voting rights, dividend, forfeiture and lien, restrictions on transfer and transmission and/or consolidation/ splitting, refer to the section on "Main Provisions of Articles of Association of IPCL" on page 222 of this Preliminary Sale Document.

TRADING LOT AND MARKET LOT

The equity shares in this Offer upon allocation shall be transferred only in dematerialised form. The trading of the Company's equity shares shall only be in dematerialised form for all investors.

Since trading of the Company's equity shares is in dematerialised form, the tradable lot is one (1) equity share. Allocation of equity shares through this Offer will be done only in electronic form in multiples of one (1) equity share to the successful Bidders.

JURISDICTION

Exclusive jurisdiction for the purpose of this Offer is with competent courts / authorities in Vadodara, Gujarat, India.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the equity shares allocated, if any, shall vest. A person, being a nominee, entitled to the equity shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the Registrar and Transfer Agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a) to register himself or herself as the holder of the equity shares; or

b) to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the transfer of equity shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Application by permitted non-residents / NRIs / FIIs / Foreign Venture Capital Funds Registered with SEBI

The Company has received approval from the Ministry of Finance and Company Affairs (Department of Economic Affairs), Government of India pursuant to its letter no. FC.II. 17(2004)/17 (2004) dated January 28, 2004 for the transfer of equity shares in this Offer to NRIs, FIIs registered with SEBI, Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral development financial institutions. As per the policy of the RBI, OCBs are not permitted to participate in this Offer. The Company has received the approval from the RBI for transfer of shares in this Offer to Non Resident Indians, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial institutions, pursuant to its letter no. EC.CO.FID/ 6461 / 10.I.07.02.200(546)/2003-04 dated February 6, 2004. Therefore, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI will be treated on the same basis with other categories for the purpose of allocation. The transfer of equity shares to NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI shall be subject to the conditions as may be prescribed by Government of India or RBI while granting such approvals.

The equity shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the equity shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

OFFER STRUCTURE

The present Offer is of up to 59,438,774 equity shares of Rs.10 each which may be enhanced up to 71,850,056 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option to acquire up to 12,411,282 equity shares of Rs. 10 each which will be offered to the public for allocation as a part of the Offer only in the event these shares are not purchased by the Strategic Partner purusant to the exercise of its rights as per the provisions of the Amendment Agreement, for cash at a premium of Rs. [●] per equity share of Rs. 10 aggregating Rs. [●] million. The Selling Shareholder has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process. Further, the processes, procedures and practices which are generally followed in the 100% Book Building Process save for specified deviations would be adopted.

	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity shares *	Up to 29,719,386 equity shares which may be enhanced up to 35,925,028 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as discussed above, less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum of 14,859,694 equity shares which may be enhanced up to 17,962,514 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as discussed above less allocation to QIBs and Retail Portion	Minimum of 14,859,694 equity shares which may be enhanced to 17,962,514 equity shares of Rs. 10 each if the Strategic Partner does not exercise its option as discussed above less allocation to QIBs and Non Institutional Portion
Percentage of Offer Size available for allocation	Up to 50% or Offer size less allocation to Non Institutional Portion and Retail Portion	Minimum 25% or Offer size less allocation to QIBs and Retail Portion	Minimum 25% or Offer Size less allocation to QIBs and Non Institutional Portion
Basis of Allocation or Allocation if respective category is oversubscribed	Discretionary	Proportionate	Proportionate
Minimum Bid	Bid Amount exceeding Rs. 50,000 and in multiples of 35 equity shares	Bid Amount exceeding Rs. 50,000 and in multiples of 35 equity shares	35 equity shares and in multiples of 35 equity shares
Maximum Bid	Not exceeding the size of the Offer, subject to applicable regulations	Not exceeding the size of the Offer	Such number of equity shares so as to ensure that the Bid Amount does not exceed Rs. 50,000
Allocation Mode	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One equity share	One equity share	One equity share
Minimum Lot size for allocation**	One equity share	One equity share	One equity share
Who can Apply	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multi-lateral and bi-lateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, Insurance Companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million	Resident Indian individuals, HUF (in the name of Karta), corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for such number of equity shares such that the Bid Amount does not exceed Rs. 50,000

	QIBs	Non Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum - Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid-cum -Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate
Margin Money	Nil	Full Bid Amount	Full Bid Amount

(*) Subject to valid bids being received at or above the Offer Price within the Price Band, under subscription, if any, in any of the categories, would be allowed to be met with spill-over from any of the other categories, at the discretion of the Selling Shareholder and the BRLMs.

(**) Based on SEBI letter dated February 7, 2004.

INCREASE IN SIZE OF OFFER

In terms of the Amendment Agreement, the price at which the Strategic Partner would acquire the shares would be the higher of the Offer Price or the price determined by a valuation by A.F.Ferguson & Co. On the determination of the minimum price for the Offer, the Selling Shareholder would give a notice to the Strategic Partner about the price determined by the valuation of A.F.Ferguson & Co. and the minimum price for the public offer. The Strategic Partner would have three days after receipt of the above notice, to decide whether to acquire all, any or none of the equity shares offered by the Selling Shareholder. In the event that the Strategic Partner elects not to acquire any equity shares or to acquire a part of the equity shares offered by the Selling Shareholder, the Selling Shareholder shall additionally offer such number of equity shares not acquired by the Strategic Partner through this Offer.

The procedure that is being undertaken for this purpose is as follows:

a) The price determined by the valuation of A.F.Ferguson & Co. would be determined simultaneously with the determination of the minimum price for the Offer by the Selling Shareholder.

b) The Selling Shareholder shall issue a notice to the Strategic Partner indicating the price determined by the valuation of A.F.Ferguson & Co. and the minimum price for the offer determined by him.

c) On or prior to the Bid Closing Date a public notice would be issued disclosing the Strategic Partner's decision with regard to acquiring of shares offered to him by the Selling Shareholder and the consequential increase, if any, in the number of shares offered in this Offer.

d) In case the Strategic Partner decides to acquire all or part of equity shares offered by the Selling Shareholder, the transfer of these shares would be completed in terms of the Amendment Agreement.

The Final Sale Document to be filed with the RoC after the close of the bidding and determination of the Offer Price will be updated to disclose the decision of the Strategic Partner to acquire or not to acquire the shares offered by the Selling Shareholder, and shall state the final Offer size.

OFFER PROCEDURE

Book Building Procedure

This Offer is being voluntarily made by the Selling Shareholder through the 100% book building process, on the terms and conditions specified in this Preliminary Sale Document save for specified deviations. Pursuant to the decision of the Selling Shareholder, up to 50% of the Offer shall be available for allocation on a discretionary basis to Qualified Institutional Buyers. The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria which will typically include but not be limited to the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of QIBs in the Company during the period prior to the Bid Opening Date and until the date of pricing. Further, not less than 25% of the Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price within the Price Band.

Bidders are required to submit their Bids through the Syndicate Members. The Selling Shareholder in consultation with the BRLMs reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, the Selling Shareholder and the Company would have a right to reject the Bids only on technical grounds.

Investors should note that equity shares would be transferred to all successful Bidders only in dematerialised form.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Preliminary Sale Document. The Bidder shall have a maximum of three bidding options in the Bid cum Application Form and such options shall not be considered as multiple bids. Upon the allocation of equity shares, dispatch of the CAN and filing of the Final Sale Document with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Selling Shareholder and the Company to make the necessary changes in this Preliminary Sale Document and the Bid cum Application Form as would be required for filing the Final Sale Document with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs or Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral development financial institutions applying on a repatriation basis	Pink

Who can Bid

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu undivided families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Indian Mutual Funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws
- Scientific and/ or industrial research organisations authorised to invest in equity shares.
- Insurance Companies registered with Insurance Regulatory and Development Authority.
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares.
- Multilateral and bilateral development financial institutions.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Offer where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of equity shares that can be held by them under the relevant regulations or statutory guidelines and as specified in this Preliminary Sale Document.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The offer of equity shares to a single FII should not exceed 10% of the post-offer paid-up capital of the company (i.e. 10% of 248,225,622 equity shares of Rs. 10 each). In respect of an FII investing in the equity shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company.

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of the Company's paid-up equity capital.

Bidders may bid as per the limits prescribed above.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholder and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Preliminary Sale Document. Bidders are advised to make their independent investigations and ensure that their number of equity shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

a) **For Retail Individual Bidders:** The Bid must be for a minimum of 35 equity shares and in multiples of 35 equity shares thereafter, subject to the Bid Amount not exceeding Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option provided to the Retail

Individual Bidders indicating their agreement to bid and purchase equity shares at the final Offer Price as determined by the Book Building Process.

b) **For other (Non Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of equity shares so as to ensure that the minimum Bid Amount is above Rs. 50,000. Above this minimum Bid Amount the Bid can be in multiples of 35 equity shares. A Bid cannot be submitted for more than the size of the Offer. All Retail Individual Bidders whose Bid Amount exceeds Rs. 50,000 will be considered under this category. The maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. In case of revision in Bids, Non Institutional Bidders have to ensure that the Bid Amount is greater than Rs. 50,000 for being considered for allocation in the Non Institutional category. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Individual Bidders' category would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB bidders are not allowed to bid at "Cut-Off".

A QIB Bidder cannot withdraw its bid after the Bid/Offer Closing Date.

Bidding Process

1. The Preliminary Sale Document has been voluntarily filed with SEBI and will be filed with the RoC at least three days before the Bid/Offer Opening Date.
2. The members of the Syndicate will circulate copies of the Preliminary Sale Document along with the Bid cum Application Form to potential investors.
3. Any investor who would like to obtain the Preliminary Sale Document along with the Bid cum Application Form can obtain the same from the corporate and/or registered office of the Company or from any of the BRLMs or Syndicate Members.
4. The Selling Shareholder and the BRLMs shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date at the time of filing the Preliminary Sale Document with ROC and also publish the same in three widely circulated newspapers (one each in English, Hindi and the Gujarati). This advertisement shall contain the salient features of the Preliminary Sale Document as specified under Form 2A of the Companies Act and the method and process of bidding and the names and addresses of the BRLMs and Syndicate Members.
5. The Selling Shareholder and the BRLMs shall advertise the Price Band prior to the Bid Opening Date in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati). The Selling Shareholder shall retain the right to revise the Price Band during the Bidding Period at any level above or below the Price Band first advertised prior to the Bid Opening Date. In the event that the Selling Shareholder decides to revise the Price Band, the Selling Shareholder may in consultation with the BRLMs decide to either extend or not extend the Bidding Period. In the event that the Selling Shareholder decides to extend the Bidding Period the decision to extend the Bidding Period shall be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati).
6. The BRLMs and Syndicate Members shall start accepting Bids from the Bidders from the Bid/Offer Opening Date.
7. Investors who are interested in Bidding for the Company's equity shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
8. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid-cum-Application Forms should bear the stamp of the BRLMs or Syndicate Members. Bid-cum-Application Forms which do not bear the stamp of the BRLMs or Syndicate Members will be rejected.

Bidding

1. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of equity shares bid for). The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of equity shares bid for by a Bidder at or above the Offer Price within the Price Band will be considered for allocation and the rest of the Bid(s), irrespective of the bid price, will become automatically invalid.

2. The Bidder cannot bid on another Bid cum Application Form after his or her Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the transfer of equity shares in this Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page 54 of this Preliminary Sale Document.

3. The BRLMs and Syndicate Members will enter each option into the electronic bidding system as a separate Bid and the Bid Amount paid by the Bidder and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form. It will be the responsibility of the Bidder to collect the TRSs from the members of the Syndicate.

4. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 53 of this Preliminary Sale Document.

Bids at Different Price Levels

1. The Price Band will be advertised prior to the Bid Opening Date. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1. The Bidding Period shall be open for at least 5 (five) days and not more than 10 (ten) days. The Selling Shareholder in consultation with the BRLMs shall finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

2. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of equity shares at a specific price. **Retail Individual Bidders may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for Non Institutional Bidders and QIBs and such Bids from Non Institutional Bidders and QIBs shall be rejected.**

3. Retail Individual Bidders who bid at the Cut-Off agree that they shall purchase the equity shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by successful Retail Individual Bidders (i.e. the total number of equity shares allocated in the Offer multiplied by the Offer Price), successful Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

4. The Price Band can be revised during the Bidding Period by the Selling Shareholder, without any restrictions. The Selling Shareholder in consultation with the BRLMs, can revise the Price Band by informing the stock exchanges, issuing a press release and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the revised Price Band and extension of the Bidding Period, if any, will be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati). In the event that the Selling Shareholder decides to extend the Bidding Period such decision shall be published in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati).

5. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-Off could either (i) revise their bid or (ii) make additional payment based on the cap of the revised price band, with the member of the Syndicate to whom the original bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the bid will be considered for allocation under the Non Institutional category in terms of this Preliminary Sale Document. If, however, the Bidder does not either revise the bid or make additional payment and the Offer Price is higher than the cap of the price band prior to revision, the number of shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.

6. In case of a downward revision in the price band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

The Selling Shareholder, the Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of the Bid and/or revision. Cheques or demand drafts received towards Margin Money from Bidders would be deposited in the Escrow Account for the Offer. The Escrow Collection Banks will act in terms of this Preliminary Sale Document and the Escrow Agreement. The monies in the Escrow Account for the Offer shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Offer Account with the Bankers to the Offer. Payments of refund to the Bidders shall also be made from the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Preliminary Sale Document.

The Bidders should note that the escrow mechanism has been established as an arrangement between the Selling Shareholder, the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Offer, to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque, demand draft for the Bid Amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 59 of this Preliminary Sale Document) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid-cum-Application Forms accompanied by cash shall not be accepted. The Bid Amount has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque/ demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of successful Bidders from the Escrow Account for the Offer, as per the terms of the Escrow Agreement, into the Public Offer Account with the Bankers to the Offer. The balance amounts after the transfer to the Public Offer Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the respective Bidders.

Each category of Bidders i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The details of the Margin Amount payable by each category of Bidders is mentioned under the heading "Offer Structure" on page 47 of this Preliminary Sale Document. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than Pay-in Date, which shall be a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of equity shares than they had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 working days from the Bid/Offer Closing Date.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity with each city where a Stock Exchange Centre is located in India, where the Bids are accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the

condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half-hourly basis. On the Bid Closing Date, the Syndicate Members will upload the Bids until such time as permitted by the Stock Exchanges.

3. The aggregate demand and price for bids registered on each of the electronic facilities of NSE and BSE will be downloaded on a half-hourly basis, consolidated and displayed online at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centres during the bidding period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   (a) Name of the investor

   (b) Investor Category - Individual, Corporate, NRI, FII, or Mutual Funds etc.

   (c) Numbers of equity shares bid for

   (d) Bid price

   (e) Bid cum Application Form number

   (f) Whether payment is made upon submission of Bid cum Application Form

   (g) Depository Participant Identification no. and Client Identification no. of the dematerialised account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's sole responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the equity shares shall be allocated either by the Selling Shareholder or the members of the Syndicate. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

6. The member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in this Preliminary Sale Document.

7. It is to be distinctly understood that the permission given by NSE and/or BSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by the Selling Shareholder, the Company, BRLMs are cleared or approved by NSE and/or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoter, the management of the Company or any scheme or the project.

8. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Preliminary Sale Document has been cleared or approved by NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Preliminary Sale Document; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and/or the BSE.

Build Up of the Book and Revision of Bids

1. Bids shall be registered through the members of the Syndicate and shall be electronically uploaded to the NSE or BSE system on an hourly basis.

2. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Gujarati) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate. Revisions of the Price Band may or may not be accompanied by an extension of the Bid Closing Date.

4. During the Bidding Period, any Bidder who has registered an interest in the equity shares at a particular price level is free to revise the Bid to a higher price level (upward revision) as well as to lower price level (downward revision) subject to the floor of the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

5. Revisions can be made in both the desired number of equity shares and the bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still fill the details of the other two options that are not being revised, in the Revision Form. Incomplete or inaccurate Revision Forms may not be accepted by the members of the Syndicate.

6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same Syndicate Member through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form.

7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Preliminary Sale Document. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the Bidders.

8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.

9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs based on the physical records of the Bid cum Application Form shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Offer Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with the Selling Shareholder.

2. The Selling Shareholder will, in consultation with the BRLMs, finalise the “Offer Price”. The Selling Shareholder will in consultation with the BRLMs finalise the number of equity shares to be allocated to successful QIB Bidders. After the determination of the Offer Price, the Selling Shareholder shall transfer the equity shares allocated to QIBs and Non Institutional Bidders at the Offer Price. Notwithstanding what is stated above, the Selling Shareholder reserves the right, at its sole discretion, after determination of the Offer Price to transfer the equity shares to Retail Individual Bidders at a differential lower price as compared to the Offer Price at which equity shares will be transferred to Non Institutional Bidders and QIBs.

3. The allocation for QIBs of up to 50% of the Offer Size would be discretionary. The Selling Shareholder, in consultation with the BRLMs, would have the discretion for any allocation to QIBs based on a number of criteria which will typically include but not be limited to the following; prior commitment, investor quality, price, earliness of the bid, existing and continued shareholding of the QIB in the Company during the period prior to the Bid Opening Date and until the Pricing Date. The allocation to Non institutional Bidders and Retail Individual Bidders of not less than 25% and not less than 25% of the Offer Size, respectively, would be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Offer Price within the Price Band.

4. Under-subscription, if any, in any category, would be allowed to be met with spill-over from any of the other categories, at the sole discretion of the Selling Shareholder and BRLMs.

5. Allocation to NRIs, FIIs, Foreign Venture Capital Funds and Multilateral and Bilateral development financial institutions applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Offer / allocation of equity shares to them.

6. The BRLMs, in consultation with the Selling Shareholder, shall notify the Syndicate Members of the Offer Price, allocations to their respective Bidders and the balance amounts payable by the Bidders, where the full

Bid Amount has not been collected from the Bidders.

7. The Selling Shareholder reserves the right to cancel the Offer any time after the Bid/Offer Opening Date but before allocation.

8. QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Offer Closing Date.

9. The allocation details shall be put on the website of the Registrar to the Offer.

10. In terms of the Amendment Agreement, no person in its individual capacity will be allocated more than 5% of the total paid up voting equity share capital of the Company and no single public financial institutions, multilateral or bilateral development financial institutions, scheduled commercial banks, mutual funds, foreign institutional investors and venture capital funds may be allocated up to 10% of the total paid up voting equity share capital of the Company.

Signing of Underwriting Agreement and RoC Filing

1. The Selling Shareholder, the Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on the Selling Shareholder and the BRLMs reaching agreement upon the Offer Price and allocation(s) to the Bidders.

2. After the Underwriting Agreement is signed between the Selling Shareholder, the Company, the BRLMs and the Syndicate Members, the Final Sale Document will be filed with the RoC, for public inspection. The Final Sale Document would have details of the Offer Price, Offer Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Offer Price and Final Sale Document

A statutory advertisement will be issued by the Selling Shareholder after the filing of the Final Sale Document with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Offer Price. Any material updates between the date of Preliminary Sale Document and the date of Final Sale Document will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

1. The BRLMs or Registrar to the Offer shall send to the Syndicate Members a list of their Bidders who have been allocated equity shares in the Offer.

2. The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated equity shares in the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the equity shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account for the Offer at the time of bidding shall pay in full the amount payable into the Escrow Account for the Offer by the Pay-in Date specified in the CAN.

3. Bidders who have been allocated equity shares and who have already paid into the Escrow Account for the Offer at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of their cheque or demand draft paid into the Escrow Account for the Offer. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the equity shares allocated to such Bidder.

Designated Date and Transfer in the Offer

After the funds are transferred from the Escrow Account for the Offer to the Public Offer Account on the Designated Date, the Selling Shareholder would ensure the transfer of equity shares to the successful Bidders within two working days of the finalisation of the basis of allocation.

All successful bidders will receive credit for the equity shares directly in their depository account. **Equity shares will be transferred only in the dematerialised form to the successful bidders.** Successful bidders will have the option to re-materialise the equity shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the equity shares that may be allocated to them pursuant to this Offer.

The Selling Shareholder will ensure the allocation of equity shares within 15 working days of closure of the bidding.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (pink in colour), as the case may be;
- Ensure that the application form bears the correct details of the Depository Participant, Beneficiary Account, bank details and the address in accordance with those maintained with the Depository Participant
- Ensure that the names mentioned in the Application Form are in the same sequence as in the Beneficiary Account maintained with the Depository Participant as there will be no transfer of equity shares in physical form;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you bid only within the Price Band;
- Ensure that you have collected a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS; and
- Ensure that your Bid Amount corresponds to the category under which you have bid.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;
- Do not pay the Bid amount in cash;
- Do not send Bid-cum-Application Forms by post; instead hand them over to a member of the Syndicate only;
- Do not Bid at cut off price (for Non Institutional Bidders and QIBs);
- Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of equity shares that can be held by him under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

Bids and Revision of Bids

Bids and revision of Bids must be:

a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and NRI applying on non-repatriation basis and pink colour for NRI, FIIs and foreign Venture Capital Funds, Multilateral and Bilateral development financial institutions registered with SEBI, applying on repatriation basis).

b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision

Forms are liable to be rejected.

c) For Retail Individual Bidders, the Bids must be for a minimum of 35 equity shares and in multiples of 35 thereafter subject to a maximum Bid Amount of Rs. 50,000.

d) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of equity shares so as to ensure that the Bid Amount exceeds Rs. 50,000 and in multiples of 35 equity shares thereafter. Bids cannot be made for more than the size of the Offer. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of equity shares that can be held by them under applicable laws.

e) In single name or in joint names (not more than three).

f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

The name of the sole or first Bidder's bank, branch, type of account and account numbers must be mandatorily completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. Refund orders will be either printed with these bank account details or as per the bank account details mentioned in the Bidder's depository account. Bid-cum-Application Forms without these details are liable to be rejected.

Bidders Depository Account Details

Equity shares shall be transferred only in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant-Identification number and Beneficiary Account number in the Bid cum Application Form. Please ensure that in case of joint names, the names stated in the Bid cum Application Form should be in the same order as the names stated in the Bidders' Depository Account.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be logged along with the Bid cum Application Form. Failing this the Selling Shareholder in consultation with the BRLMs reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the Provident Fund/ Pension Fund must be lodged along with the Bid cum Application Form. Failing this the Selling Shareholder in consultation with the BRLMs reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Selling Shareholder in consultation with the BRLMs in their absolute discretion, reserve the right to relax the above conditions of simultaneous lodging of supporting information and documents along with the Bid cum Application form, subject to such terms and conditions as they may deem fit.

Bids by eligible non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

1. NRIs / FIIs / Foreign Venture Capital Funds registered with SEBI/ Multilateral and Bilateral development financial institutions Bidders can obtain the Bid-cum-Application Forms from the BRLMs or the members of the Syndicate.
2. NRIs / FIIs / Foreign Venture Capital Funds registered with SEBI/ Multilateral and Bilateral development financial institutions may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allocation on repatriation basis.
3. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application form meant for Resident Indians (white in colour) and allocation, if any, would be on non-repatriation basis.
4. Bids and revision to Bids must be made:
   a. On the Bid-cum-Application Form or the Revision Form, as applicable, (pink in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
   b. In a single name or joint names (not more than three).
   c. On a Revision Form with the same application number as the Bid Form.
5. NRIs - For a minimum of 35 equity shares and in multiples of 35 thereafter subject to a maximum Bid amount of Rs. 50,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount above Rs. 50,000 would be considered under Non Institutional Category for the purposes of allocation; FIIs - for a Bid Amount exceeding Rs. 50,000 and in multiples of 35 equity shares thereafter subject to a maximum of 10% of equity Share Capital of the Company; for further details see "Offer Procedure - Maximum and Minimum Bid Size" on page 50 of this Preliminary Sale Document.

Transfer of the equity shares to NRIs, FIIs or Foreign Venture Capital Funds registered with SEBI shall be subject to FIPB and RBI approvals or any other requisite approval as may be necessary. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to Indian tax laws and regulations and any other applicable laws provided the investments are made by inward remittances from outside India through approved banking channels or out of funds held in NRE (Non Resident External) or FCNR (Foreign Currency Non Resident) accounts.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Selling Shareholder and the Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

PAYMENT INSTRUCTIONS

The Selling Shareholder, the BRLMs and the Syndicate Members shall open Escrow Accounts for the Offer with the Escrow Collection Banks for the collection of the Bid Amounts and margin amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Offer.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT FOR THE OFFER

The Bidders who have paid the Bid Amount/ Margin on application shall draw a payment instrument for the Bid Amount/ Margin in favour of the Escrow Account for the Offer and submit the same to the members of the Syndicate along with the Bid cum Application Form.

In case the Margin Amount is less than 100% of the Bid Amount, on receipt of the CAN, an amount equal to any difference between the amount payable by the Bidder for equity shares allocated at the Offer Price and the Margin

Amount paid at the time of Bidding, shall be paid by the Bidders into the Escrow Account for the Offer within the period specified in the CAN which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

The payment instruments for payment into the Escrow Account for the Offer should be drawn in favour of:

a) In case of Resident Bidders: **"Escrow Account- GOI Offer IPCL"**

b) In case of Non Resident Bidders: **"Escrow Account- GOI Offer IPCL- NR"**

In case of Bids by Non Residents/NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account. Where a Bidder has been allocated a lesser number of equity shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the amount payable on the equity shares allocated, will be refunded to the Bidder from the Escrow Account for the Offer. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until the Designated Date.

On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account for the Offer as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer. On the Designated Date and no later than 15 working days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Offer.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Form unless waived by a member of the Syndicate at its sole discretion.

The collection center of the BRLMs or Syndicate Members will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder "). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of equity shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Selling Shareholder in consultation with the BRLMs reserve the right to reject, in their absolute discretion, all or any multiple Bids in all or any categories.

'PAN' or 'GIR' Number

Where the maximum Bid for equity shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of equity shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allocated under the I.T. Act or where the same has not been allocated, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allocated, the Bidders must mention, "Not allocated" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

RIGHT TO REJECT BIDS

The Selling Shareholder in consultation with the BRLMs reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Individual Bidders, the Selling Shareholder and the Company in consultation with the BRLMs have the right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the highest value of equity shares bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- Bid by minor;
- PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
- Bids for lower number of equity shares than specified for that category of investors;
- Bids at a price less than the lower end of the Price Band;
- Bids at a price higher than the cap of the Price Band;
- Bids at cut-off price by Non Institutional Bidders or QIBs;
- Bids for number of equity shares which are not multiples of 35 equity shares
- Category not ticked;
- Signature of Sole and/ or Joint Bidder missing
- Bid cum Application Form bears inadequate Depository Account and Beneficiary Account details
- Multiple bids as defined elsewhere;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied with Stockinvest;

- Bid cum Application Form does not have the stamp of the BRLMs or Syndicate Members;
- Bid cum Application Form that does not have Bidders depository account details;
- Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Offer Opening Date advertisement and this Preliminary Sale Document and as per the instructions in this Preliminary Sale Document and the Bid cum Application Form; or
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page 50 of this Preliminary Sale Document.
- Bids from OCBs
- Bids not validly executed, without signatures or supporting documentation

The equity shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the equity shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

The equity shares in this Offer shall be transferred only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

All bidders can seek allocation only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for equity shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity shares allocated to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allocation advice or refund orders will be directly sent to the sole/first Bidder by the Registrar to this Offer.

f) If incomplete or incorrect details are given under the heading 'Request for Equity shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that equity shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the equity shares are listed have electronic connectivity with CDSL and NSDL.

i) The trading of the equity shares of the Company would be in dematerialised form only for all investors.

j) Bidders are advised to instruct their Depository Participants to accept any equity shares transferred to them pursuant to this Offer.

COMMUNICATIONS

All future communications in connection with Bids made in the Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of equity shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque, draft number and issuing bank thereof.

UNDERTAKING BY THE SELLING SHAREHOLDER

The Selling Shareholder undertakes as follows:

a) that the complaints received in respect of this Offer shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Deputy Company Secretary and Compliance Officer to redress all complaints, if any, of the investors participating in this Offer;

b) that the funds required for dispatch of refund orders or allocation advice by registered post or speed post shall be made available to the Registrar to the Offer by the Selling Shareholder; and

c) that the refund orders or allocation advice to the NRIs or FIIs shall be dispatched within specified time.

DISPATCH OF REFUND ORDERS

The Selling Shareholder shall ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Offer by the Selling Shareholder.

PROCEDURE AND TIME SCHEDULE FOR ALLOCATION OF EQUITY SHARES

The Selling Shareholder and the Company in consultation with the BRLMs reserve at their absolute and uncontrolled discretion and without assigning any reasons thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 working days of the Bid/Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 working days of the Bid/Offer Closing Date. The Selling Shareholder will ensure the allocation of the equity shares within 15 working days from the Bid/Offer Closing Date. The Selling Shareholder shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if transfer is not made, refund orders, are not dispatched and/ or demat credits are not made to investors within two working days from the date of allocation.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

The Selling Shareholder shall ensure dispatch of allocation advice, refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the transfer details with the Stock Exchanges within two working days of **finalisation of the basis of allocation of equity shares.** The Selling Shareholder shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the Selling Shareholder as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Interest on Refund of excess Bid Amount

The Selling Shareholder shall pay interest at the rate of 15% per annum on the excess Bid Amount received, if refund orders are not dispatched within 15 working days from the Bid/Offer Closing Date.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the industrial policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of the total issued capital of the Company. This can be raised to 74% by adoption of a special resolution by the shareholders of the Company; however, as of the date hereof, no such resolution has been recommended to the shareholders of the Company for adoption.

Deviations from SEBI Guidelines

The equity shares being offered pursuant to this Offer are already listed. As advised by SEBI in its letters dated January 29, 2004 and February 7, 2004, the SEBI Guidelines for public issues/offers do not apply to this Offer. However, the Selling Shareholder has informed the BRLMs and the Company by letters dated February 6, 2004, that it has voluntarily decided to adopt the SEBI Guidelines particularly the guidelines for the 100% Book Building Process. Further, the processes, procedures and practices, which are generally followed in the 100% book building process save the deviations indicated in the letter dated February 6, 2004 would be adopted for this Offer.

a) The Price Band to be advertised for the purposes of inviting bids and carrying out book building will not be disclosed in the Preliminary Sale Document and would be advertised by the Government up to one day prior to the Bid Opening Date.

b) The Price Band would be revised, if necessary, without the need to extend the Bidding Period.

c) The terms of the offer would provide for an automatic reduction of the demand (i.e. the number of shares bid for) of Retail Individual Bidders who have bid at Cut-off price, to keep it to within the payment already made by them, in case of any upward revision in the Price Band.

d) The Government would reserve the right at its sole discretion to offer the shares to Retail Individual Bidders at a differential lower price as compared to the price for QIB and Non Institutional Bidders.

e) The post offer period for completion of various activities would be defined as 15 working days instead of 15 calendar days.

f) The bids received at the bidding centers would be permitted to be uploaded at intervals of one hour on all bidding days and up to the time allowed by NSE and BSE on the last day of bidding.

BASIS FOR ISSUE PRICE

The Offer Price will be determined by the Selling Shareholder in consultation with the BRLMs on the basis of assessment of market demand for the offered equity shares by way of Book Building.

Quantitative Factors

Information presented in this section is derived from the financial statements prepared in accordance with Indian GAAP and appearing elsewhere in this Preliminary Sale Document.

1. Adjusted earning per share (EPS)

Sr. No.	Period	Rupees	Weight
1	Year ended March 31, 2001	6.90	1
2	Year ended March 31, 2002	2.74	2
3	Year ended March 31, 2003	7.42	3
4	Nine months ended December 31,2003 (annualised)	5.61	4
	Weighted Average	5.71	

A. *The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.*

B. *The denominator considered for the purpose of calculating earning per share is the weighted average number of equity shares outstanding during the period.*

2. Price/Earning (P/E) ratio in relation to Offer Price of Rs. [●]

   Based on weighted average EPS of Rs. 5.71 is [●]

   Based on nine months ended December 31, 2003 (annualised) adjusted EPS of Rs. 5.61 is [●]

3. Average Return on Net Worth in the last three years

Sr. No.	Period	%	Weight
1	Year ended March 31, 2001	8.48	1
2	Year ended March 31, 2002	3.48	2
3	Year ended March 31, 2003	8.79	3
4	Nine months ended December 31,2003 (annualised)	6.31	4
	Weighted Average	6.70	

The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Offer EPS:

   Since the present issue is an offer for sale with no fresh issue of capital by the Company, the pre-issue and post-issue EPS would remain the same.

5. Net Asset Value per equity share as at December 31, 2003: Rs. 88.83.

   The net asset value per equity share after the Offer: ●

   Since the present issue is an offer for sale with no fresh issue of capital by the Company, the pre-issue and post-issue NAV would remain the same.

6. Comparison of Accounting Ratios

	EPS	P/E	RONW %	NAV
IPCL[(1)]	7.42	[ ]	8.79	84.35
RIL[(2)]	28.6	19.6	15.6	197.9
Industry Average[(3)]		[ ]	12.19	

1. Computed on the basis of the restated financial statements included herein. The IPCL and RIL accounting ratios are for the fiscal year anded March 31, 2003.
2. Source: Capital Market, February 2 - 15, 2004.
3. Comparable listed company for our industry is RIL and we have computed the industry average on the basis of IPCL and RIL

SECTION III - THE COMPANY

Unless the context otherwise requires, for the purposes of the following section of this Preliminary Sale Document references to "IPCL", "the Company", "Indian Petrochemicals Corporation Limited", "we", "us" and "our" refers to Indian Petrochemicals Corporation Limited, a public limited company incorporated under the Companies Act.

CAPITAL STRUCTURE

Financial data presented in this section is derived from our financial statements prepared in accordance with Indian GAAP and included elsewhere in this Preliminary Sale Document.

Share capital as of December 31, 2003 is set forth below. As of February 9, 2004, the share capital was unchanged from December 31, 2003.

		(Rs. million)	
		Aggregate nominal value	**Aggregate value at Offer Price**
A.	**Authorised Capital***		
	40,00,00,000 equity shares of Rs. 10 each	4,000.00	
	40,00,00,000 Non-convertible Redeemable Preference Shares of Rs. 10 each	4,000.00	
B.	**Issued Capital**		
	25,05,33,761 equity shares of Rs.10 each fully paid-up	2,505.34	
C.	**Subscribed and Paid-Up Capital**		
	24,82,25,622 equity shares of Rs.10 each fully paid-up	2,482.26	

* The authorised share capital of our Company was increased from Rs. 5,000 million divided into 400 million equity shares of Rs. 10 each and 100 million Non-convertible Redeemable Preference Shares of Rs. 10 each to Rs. 8,000 million divided into 400 million equity shares of Rs. 10 each and 400 million Non-convertible Redeemable Preference Shares of Rs. 10 each through ordinary resolution passed at its annual general meeting held on September 27, 2002.

Notes to the Capital Structure

1. Share Capital History of our Company:

Financial Year	Date of Allotment	Number of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consi-deration	Reasons for Allotment	Cumulative share premium (Rs. million)
1969-70	30-06-1969	5,000	1,000	1,000	Cash	Allotment to the President of India	
	29-09-1969	11,400	1,000	1,000	Cash	Allotment to the President of India	
	24-01-1970	21,100	1,000	1,000	Cash	Allotment to the President of India	0.00
1970-71	26-06-1970	24,950	1,000	1,000	Cash	Allotment to the President of India	
	26-06-1970	5,350	1,000	1,000	Shares allotted for consideration other than cash	Allotment to the President of India	
	25-12-1970	29,600	1,000	1,000	Cash	Allotment to the President of India	
	09-03-1971	18,400	1,000	1,000	Cash	Allotment to the President of India	0.00
1971-72	21-06-1971	12,700	1,000	1,000	Cash	Allotment to the President of India	
	15-09-1971	13,200	1,000	1,000	Cash	Allotment to the President of India	
	28-12-1971	22,500	1,000	1,000	Cash	Allotment to the President of India	0.00
1972-73	29-05-1972	15,000	1,000	1,000	Cash	Allotment to the President of India	
	08-08-1972	20,000	1,000	1,000	Cash	Allotment to the President of India	
	26-02-1973	63,300	1,000	1,000	Cash	Allotment to the President of India	0.00
1973-74	13-04-1973	4,800	1,000	1,000	Cash	Allotment to the President of India	
	29-09-1973	44,900	1,000	1,000	Cash	Allotment to the President of India	
	05-12-1973	30,000	1,000	1,000	Cash	Allotment to the President of India	
	11-01-1974	25,500	1,000	1,000	Cash	Allotment to the President of India	
	20-02-1974	39,200	1,000	1,000	Cash	Allotment to the President of India	
	19-03-1974	44,600	1,000	1,000	Cash	Allotment to the President of India	0.00

Financial Year	Date of Allotment	Number of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consi-deration	Reasons for Allotment	Cumulative share premium (Rs. million)
1974-75	15-06-1974	102,500	1,000	1,000	Cash	Allotment to the President of India	
	13-09-1974	39,800	1,000	1,000	Cash	Allotment to the President of India	
	17-12-1974	133,600	1,000	1,000	Cash	Allotment to the President of India	
	15-03-1975	162,600	1,000	1,000	Cash	Allotment to the President of India	0.00
1975-76	25-06-1975	195,700	1,000	1,000	Cash	Allotment to the President of India	
	30-09-1975	165,000	1,000	1,000	Cash	Allotment to the President of India	
	06-12-1975	105,000	1,000	1,000	Cash	Allotment to the President of India	
	03-02-1976	75,500	1,000	1,000	Cash	Allotment to the President of India	0.00
1976-77	11-05-1976	118,800	1,000	1,000	Cash	Allotment to the President of India	
	17-07-1976	134,300	1,000	1,000	Cash	Allotment to the President of India	
	02-09-1976	15,700	1,000	1,000	Cash	Allotment to the President of India	
	11-12-1976	160,000	1,000	1,000	Cash	Allotment to the President of India	0.00
1991-92	26-12-1991	186,000,000	10	-	-	Splitting	
1992-93	09-01-1993	774,390	7	110	Cash	Public Issue of Shares with Preferential Allotment to employees and project affected persons (price Rs. 160 called up Rs 110)	
	25-01-1993	19,999,949	7	110	Cash	Public Issue of Shares (price Rs. 160 called up Rs. 110)	1,342.91
1993-94		774,390	3	50	Cash	Calls	
	-	19,999,949	3	50	Cash	Calls	2,601.60

Financial Year	Date of Allotment	Number of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consi-deration	Reasons for Allotment	Cumulative share premium (Rs. million)
1994-95	01-07-1994	24,955,000	10	20	Cash	Rights Issue	
	20-08-1994	41,692	10	20	Cash	Rights Issue	
	08-12-1994	18,378,378	10	144	Cash	GDR Issue	
	19-12-1994	29,710	10	20	Cash	Rights Issue	5,624.96
1995-96	30-08-1995	15,240	10	20	Cash	Rights Issue	
	01-01-1996	2,400	10	20	Cash	Rights Issue	5,641.34
1996-97	07-05-1996	1,200	10	20	Cash	Rights Issue	
	22-08-1996	700	10	20	Cash	Rights Issue	
	13-12-1996	500	10	20	Cash	Rights Issue	
	10-02-1997	300	10	20	Cash	Rights Issue	5,652.68
	26-03-1997	(-) 2,014,440	10			Forfeiture	
1997-98	29-05-1997	100	10	20	Cash	Rights Issue	
	28-08-1997	25,383	10	171	Cash	On conversion of FCCB	
	29-08-1997	100	10	20	Cash	Rights Issue	
	21-01-1998	200	10	20	Cash	Rights Issue	
		10,500	10			Annulment of forfeiture	5,656.93
1998-99	24-04-1998	200	10	20	Cash	Rights Issue	
	04-06-1998	100	10	20	Cash	Rights Issue	
	23-09-1998	100	10	20	Cash	Rights Issue	
	16-02-1999	200	10	20	Cash	Rights Issue	
	20-03-1999	200	10	20	Cash	Rights Issue	
		1,690	10			Annulment of forfeiture	5,657.02
1999-2000	24-02-2000	100	10	20	Cash	Rights Issue	5,657.07
		1,000	10			Annulment of forfeiture	
2000-2001		630	10			Annulment of forfeiture	5,657.10
2001-2002		100	10			Annulment of forfeiture	5,657.11
Total		248,225,622					

(a) The total issued capital of our Company is 250,533,761 equity shares of Rs. 10 each.

(b) Of these 307,619 equity shares were not subscribed and paid up leaving 250,226,142 equity shares. Out of this 2,014,440 equity shares were forfeited. Subsequently, forfeiture of 13,920 equity shares was annulled.

(c) The total resulting subscribed and paid-up equity share capital of our Company is 248,225,622.

2. Promoter's Non-Disposal Undertaking

As per the Shareholders' Agreement and the Amendment Agreement, 64,538,662 equity shares constituting 26% of the paid up equity share capital of our Company purchased by the Strategic Partner from the Selling Shareholder are subject to a lock-in for a period of three years from June 4, 2002, the date of acquisition of these shares. In the event the Strategic Partner acquires up to 12,411,282 equity shares constituting up to 5% of the paid up equity share capital of our Company from the Selling Shareholder pursuant to the Amendment Agreement, such shares will also be subject to a lock-in up to June 4, 2005.

3. Shareholding Pattern of the Company Before and After the Offer:

a) In the event the Strategic Partner exercises its option to acquire 5% of our paid up equity share capital in accordance with the terms of the Amendment Agreement:

Category	**Pre Offer**		**Post Offer**	
	Number of equity shares	**Percentage**	**Number of equity shares**	**Percentage**
Promoters/Promoter Group	114,232,052	46.02	126,643,334	51.02
President of India*	84,261,338	33.95	12,411,282	5.00
Others	49,732,232	20.03	109,171,006	43.98
Total	248,225,622	100.00	248,225,622	100.00

* Acting through and represented by the Joint Secretary, Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers, Government of India.

b) In the event the Strategic Partner does not exercise its option to acquire 5% of our paid up equity share capital in accordance with the terms of the Amendment Agreement:

Category	**Pre Offer**		**Post offer**	
	Number of equity shares	**Percentage**	**Number of equity shares**	**Percentage**
Promoters/Promoter Group	114,232,052	46.02	114,232,052	46.02
President of India*	84,261,338	33.95	12,411,282	5.00
Others	49,732,232	20.03	121,582,288	48.98
Total	248,225,622	100.00	248,225,622	100.00

* Acting through and represented by the Joint Secretary, Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers, Government of India.

4. After the completion of this Offer, the Selling Shareholder proposes to transfer up to 12,411,281 equity shares, (5% of our paid up equity share capital) to all employees of our Company other than casual or daily wage employees and also excluding directors on the Board, as of June 4, 2002 on terms and conditions that are to be determined. The Selling Shareholder shall retain at least one equity share in our Company post the completion of this transfer.

5. The list of the top ten shareholders of the Company and the number of equity shares held by them is as under:

a) Top ten shareholders as of January 30, 2004 were as follows

Sr. No.	Name of the Shareholder(s)	Number of equity shares	% of Total Capital
1	Reliance Petroinvestments Limited	114,180,352	46.00
2	President of India	84,261,338	33.95
3	Life Insurance Corporation of India	5,248,679	2.11
4	Administrator of The Specified Undertaking of the Unit Trust of India-Unit Scheme 1964	5,144,843	2.07
5	Citigroup Global Markets Mauritius Private Limited	1,324,400	0.53
6	Prudential ICICI Trust Limited A/c Prudential ICICI Mutual Fund	948,000	0.38
7	Merrill Lynch Capital Markets Espana S.A. SVB	839,792	0.34
8	The New India Assurance Company Limited	826,910	0.33
9	Citibank N.A. New York, Nyadr Department.	810,619	0.33
10	ABN Amro Asia (Mauritius) Limited - Class-D	768,972	0.31
	Grand Total	**214,353,905**	**86.35**

b) Top ten shareholders as of January 23, 2004 were as follows

Sr. No.	Name of the Shareholder(s)	Number of equity shares	% of Total Capital
1	Reliance Petroinvestments Limited	114,180,352	46.00
2	President Of India	84,261,338	33.95
3	Life Insurance Corporation of India	5,238,874	2.11
4	Administrator of the Specified Undertaking of The Unit Trust of India - UNIT SCHEME 1964	5,144,843	2.07
5	Citigroup Global Markets Mauritius Private Limited	1,331,000	0.54
6	Prudential ICICI Trust Limited A/C Prudential ICICI Mutual Fund	948,000	0.38
7	The New India Assurance Company Limited	826,910	0.33
8	Merrill Lynch Capital Markets ESPANA S.A. SVB	821,093	0.33
9	Citibank N.A. New York, NYADR Department	810,619	0.33
10	ABN AMRO Asia (Mauritius) Limited - Class-D	761,137	0.31
	Grand Total	**214,324,166**	**86.35**

(c) Top ten shareholders as of February 8, 2002 is were follows

	Name of the Shareholder(s)	Number of equity shares	% of Total Capital
1	President of India	148,799,400	59.95
2	Unit Trust Of India	23,051,684	9.29
3	Life Insurance Corporation Of India	16,055,023	6.47
4	Citibank N.A. New York, NYADR Department	2,779,399	1.12
5	Nairutya Finstock Pvt. Ltd.	1,912,338	0.77
6	United India Insurance Company Limited	1,168,545	0.47
7	The New India Assurance Company Limited	1,034,335	0.42
8	General Insurance Corporation Of India	725,619	0.29
9	SBI Mutual Fund-Mangum Equity Fund	637,010	0.26
10	HSBC Global Investment Funds Mauritius Limited	500,000	0.20
	Grand Total	**196,663,353**	**79.23**

6. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our equity shares. We do not have any employee stock option plans or employee share purchase schemes. However, the Selling Shareholder intends to transfer up to 12,411,281 equity shares to all employees of our Company other than casual or daily wage employees and also excluding the directors on the Board, as of June 4, 2002, on terms and conditions that are to be determined. Please see note 4 above.

7. Our Promoter, directors of our Promoter, members of our promoter group or our Directors have not purchased or sold any equity shares of our Company, during a period of six months preceding the date on which this Preliminary Sale Document is filed with SEBI, except as stated in note 17. The directors of our Promoter do not hold any equity shares of our Company.

8. Our Company, the Selling Shareholder, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of equity shares of our Company from any person.

9. We have received approval from the, Ministry of Finance (Department of Economic Affairs) pursuant to its letter no. FC.II. 17(2004)/17(2004) dated January 28, 2004 for the transfer of equity shares in this offer to eligible non-resident investors, NRIs and FIIs. In terms of the approval of the Government of India, OCBs have not been allowed to participate in this Offer. Our Company has received the approval from the RBI for transfer of shares in this Offer to Non Resident Indians, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial institutions, pursuant to its letter no. EC.CO.FID/ 6461 / 10.I.07.02.200(546)/2003-04 dated February 6, 2004.

10. There will be no further issue of equity share capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Preliminary Sale Document with SEBI until the completion of necessary formalities at all the Stock Exchanges.

11. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Offer, by way of split or consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into or exchangeable, directly or indirectly for equity shares) whether preferential or otherwise.

12. There will be only one denomination of the equity shares of our Company, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

13. The Company has not issued any equity shares out of revaluation reserves or bonus equity shares out of free reserves for consideration other than cash, except for the 5350 shares of Rs. 1000 each (now 535,000 of Rs. 10 each) allotted to the President of India on June 26, 1970 as fully paid for consideration other than cash. For details please refer to note 1 given above.

14. The Company had 134,764 members as of December 31, 2003.

15. Out of the 49,645,125 shares accepted under the open offer made by Strategic Partner, 3,435 shares offered by NRIs have not yet been transferred to them due to non-receipt of relevant documents from the NRI's. RPiL has made an application to SEBI seeking permission to return 3,435 shares. These shares have not been included in computing the holding of our Promoter.

16. We have entered into the SPA and are subject to the SHA and the Amendment Agreement between the Selling Shareholder, the Strategic Partner and various Reliance Group companies. The SHA relates to the management of our Company, commercial contracts and the rights and obligations of the Selling Shareholder, the Strategic Partner and our Company and the put and call options between the Selling Shareholder and the Strategic Partner. For further details of the various agreements referred to above see "Our Promoter" on page 150 of this Preliminary Sale Document.

17. The cost of acquisition and the details of the equity shares acquired by RPiL pursuant to the disinvestment by the Selling Shareholder and the acquisition in terms of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the listing agreements with the stock exchanges is as follows:

Date of Acquisition	**No of Shares**	**Cost Per Share**
04.06.2002 from Selling Shareholder	64,538,662	Rs. 231
02.09.2002 pursuant to open offer	49,645,125	Rs. 231

A) Excluding expenses for offer for shares etc.

B) Refer to note 15 above.

THE INDIAN PETROCHEMICALS INDUSTRY

Unless otherwise indicated, all financial and statistical data relating to the petrochemicals industry in the following discussion are derived from either the CRIS INFAC Petrochemicals Annual Review, December 2002 or subsequent monthly petrochemical sector updates published by CRIS INFAC and/or from the World Polyolefins Report CMAI - 2003. The data may have been re-classified by us for the purpose of presentation.

Background

Petrochemicals are derived from natural gas, natural gas liquids or refinery products such as naphtha (derived from the distillation of crude oil). These compounds are made up of hydrocarbons, which are converted into primary petrochemicals, such as methanol, olefins and aromatics. Primary petrochemicals are obtained through the application of heat and pressure in the presence of a catalyst or by reaction with other chemicals after which primary petrochemicals are separated from the compounds by distillation and extraction. Primary petrochemicals are processed further into intermediates, such as vinyl chloride and styrene, and certain derivatives, the most important of which are polymers. In the process of polymerisation, ethylene, propylene, vinyl chloride and styrene, which are all unsaturated molecules, react in the presence of a catalyst. The process involves breaking of their double bonds and the formation of a long chain compound, known as a polymer.

Polymers, commonly referred to as plastics, are used in a variety of products in day to day use. The most commonly used polymers are high-density polyethylene (HDPE), low-density polyethylene (LDPE), linear low-density polyethylene (LLDPE), polypropylene (PP), poly vinyl chloride (PVC) and polystyrene (PS). These polymers, generally referred to as commodity polymers, are used in multiple applications such as packaging, automobiles, consumer durables, furniture and other household articles. Polymers are manufactured from ethylene and propylene, which in turn are made by cracking naphtha or natural gas.

International Market

Production capacities of polymers are widely distributed in the international polymer market, with the top ten polyolefins producers accounting for less than 50% of the global capacity. In the polyolefins market, ExxonMobil is the market leader with a production capacity of over 9 million tpa. Basell is the global leader in polypropylene with a capacity of 4.3 million tpa. Dow Chemical is the market leader in polyethylenes with a manufacturing capacity of 7.3 million tpa. Other large manufacturers include AtoFina, BP-Amoco, Equistar, Philips-Chevron and Sabic.

In 2002, the global PE capacity was estimated at 67.5 million tpa, of which capacities for HDPE, LDPE and LLDPE were estimated at around 29.6 million tpa, 19.3 million tpa and 18.5 million tpa, respectively. North America was the largest producer of PE. While the Middle East and Asia accounted for only 8.6% of global PE production in 2002, its market share is expected to increase on account of significant ongoing capacity additions. The leading PP manufacturers are Atofina, Basell, Borealis, BP, ExxonMobil, Reliance Group and Sabic.

Domestic Industry

India’s petrochemicals industry is relatively young, having started in the 1960s. Demand for petrochemical products is related to general economic growth, substitutability of competing materials and the prices of petrochemical feedstocks, end products and competing products. The rapid growth in the Indian economy since the early 1980s has resulted in significant growth in the demand for petrochemical products in India.

The first petrochemicals facility commissioned in India was our complex in Vadodara, Gujarat, in 1978. Currently, the largest petrochemical companies in India are RIL, ourselves, HPL and GAIL.

The domestic polymer industry has a few manufacturers and many consumers. As of 2001-2002, nearly 85% of the polymer capacity in the domestic market was with the top three participants (RIL, ourselves and HPL). Between RIL and ourselves, we accounted for about 67% of domestic polymer capacity. Other manufacturers include GAIL, Finolex Industries and Supreme Petrochemicals Limited. According to CRIS INFAC, there are five PE producers, three PP producers and six PVC producers. All the PE and PP producers are integrated and have their own ethylene and propylene supply.

Polymers

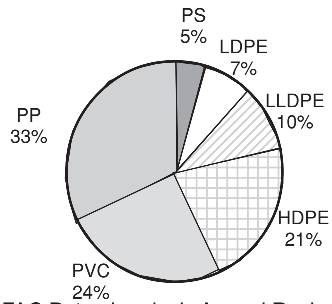
Demand for commodity polymers increased at a CAGR of around 11.6% during the period from 1996-1997 to 2001-2002. In 2000-2001 the per capita consumption of commodity polymers in India of approximately 2.9 kg was significantly lower than global average for 2001 of 20.3 kg. We expect that current low per capita consumption and increasing demand from end-use sectors like packaging, automobiles, furniture and consumer and electronic goods is likely to lead to growth in the sector.

In 2001, global and domestic consumption per capita of commodity polymers was as follows:

Polymers	2001 Global Per Capita (kgs)	2000-2001 Domestic Per Capita (kgs)
HDPE	3.6	0.7
LDPE	2.8	0.2
LLDPE	1.9	0.3
PP	5.2	0.9
PS	2.2	0.1
PVC	4.6	0.7
Total	20.3	2.9

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

Polymers : Demand Pattern (2001-02)



Source: CRIS INFAC Petrochemicals Annual Review, December 2002

In 2001-2002, domestic commodity polymer capacity was about 4.25 million tpa and total domestic supply was estimated to be around 3.9 million tpa. During the same year, domestic polymer manufacturers are estimated to have exported around 0.754 million tpa, or 19% of the total production of commodity polymers. In the medium term, supply of polymers is expected to increase due to capacity additions by existing participants.

The domestic demand, supply and capacity for certain polymers during 2001-2002 were as follows:

Polymers	2001-2002 (tpa)		
	Demand	Supply	Capacity
HDPE	704,600	883,250	1,057,500
LDPE	246,055	184,000	160,000
LLDPE	333,442	448,540	517,500
PP	1,069,740	1,351,300	1,380,000
PVC	796,946	794,400	788,000
PS	165,993	253,000	353,000
Subtotal	**3,316,776**	**3,914,490**	**4,256,000**
ABS	43,248	34,800	46,000
PBR	48,371	41,000	50,000
SBR	56,133	12,000	55,400
Total	**3,464,527**	**4,002,290**	**4,407,400**

Note: In case of HDPE/LLDPE swing plants, capacities have been assumed as 50 per cent HDPE and 50 per cent LLDPE.

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

The domestic manufacturing capacity for certain commodity polymers manufactured by different participants in the domestic industry was as follows for 2001-2002:

Manufacturer	HDPE	LLDPE	LDPE	PP	PVC	(tpa) Total
Chemplast	-	-	-	-	60,000	60,000
DCM Shriram	-	-	-	-	33,000	33,000
DCW	-	-	-	-	60,000	60,000
Finolex Industries	-	-	-	-	130,000	130,000
GAIL	180,000	80,000	-	-	-	260,000
HPL	345,000	125,000	-	230,000	-	700,000
IPCL	272,500	112,500	160,000	190,000	205,000	940,000
NOCIL	60,000	-	-	-	-	60,000
RIL	200,000	200,000	-	960,000	300,000	1,660,000
Total	**1,057,500**	**517,500**	**160,000**	**1,380,000**	**788,000**	**3,903,000**

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

Polyethylene (HDPE/LDPE/LLDPE)

HDPE, LDPE and LLDPE are the three major polyethylenes. These polyethylenes differ in their chemical structure, density and manufacturing processes.

HDPE

HDPE is an ethylene derivative and is produced by polymerisation of ethylene under low pressure (up to three mpa) and low temperature (60 - 100 degree Celsius) in the presence of certain catalysts. HDPE is manufactured using polymerisation in a gaseous or fluid medium. HDPE is used for manufacturing blow-moulded containers, films, monofilaments (used in manufacturing woven sacks), pipes, packaging, wire cable insulation and coatings.

In India, there are four swing plants (our plant at Nagothane, RIL, GAIL and HPL) capable of switching between HDPE and LLDPE production. In these plants, the equipment and the process conditions are similar for both LLDPE and HDPE and switching from HDPE production to LLDPE involves a variation only in certain process parameters and does not require production to be stopped.

In 2000-2001, demand for HDPE increased by about 6% to 0.657 million tonnes. The relatively low growth was on account of the lower offtake of HDPE by the films, blow moulding and injection moulding sectors. Demand for HDPE from the films and the blow moulding sectors declined as a result of competition form LLDPE and bottle grade PET, respectively, and demand from the injection moulding sector was adversely affected as a result of price competition from PP. The demand for HDPE from the wire and cable and pipe sectors increased significantly in 2000-2001.

In 2000-2001, domestic HDPE capacity increased by about 29% to 1.025 million tpa, on account of the commissioning of two new units (a 225,000 tpa HD/LLDPE swing plant and a 0.2 million tpa dedicated HDPE plant by HPL (assuming 50% of the incremental swing plant capacity as HDPE capacity)). In 2001-2002, the domestic installed capacity increased further to 1.0575 million tpa due to de-bottlenecking carried out by HPL, resulting in an average industry wide capacity utilisation of about 67%.

In 2000-2001, domestic HDPE manufacturing capacity was as follows:

Manufacturer	Location	State	Capacity (tpa)
GAIL	Auriya	Uttar Pradesh	180,000
Haldia Petrochemicals	Mednipur	West Bengal	312,500
IPCL	Gandhar	Gujarat	160,000
IPCL	Nagothane	Maharashtra	112,500
NOCIL	Chembur	Maharashtra	60,000
RIL	Hazira	Gujarat	200,000
Total			**1,025,000**

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

LDPE/LLDPE

LDPE is most commonly used in the manufacture of packaging films, wires and cables, extrusion coating and injection moulding. We are the sole producer of LDPE in India.

LDPE is produced by polymerising ethylene under high pressure (up to 350 mpa) and under high temperature (200 - 240 degree Celsius) using a free radical initiative. The reaction is carried out in an autoclave or tubular reactor in which ethylene gas and catalyst react at a very high pressure and temperature.

We have two LDPE plants, located at Vadodara and Nagothane.

In 2000-2001, domestic LDPE manufacturing capacity was as follows:

Manufacturer	Location	State	(tpa)
IPCL	Vadodara	Gujarat	80,000
IPCL	Nagothane	Maharashtra	80,000
Total			**160,000**

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

The major producers of LLDPE are RIL, ourselves, HPL and GAIL. From 1997-2001, domestic supply of LLDPE increased substantially on account of large capacity additions with a consequent decline in imports. Higher capacity additions in LLDPE were largely on account of the preference for HDPE/LLDPE swing plants by producers to enable production flexibility.

LLDPE is principally used in the manufacture of trash bags, packaging film and water tanks. In 2000-2001, RIL had a market share of approximately 35%, and we had a market share of approximately 33%. As with HDPE, entry barriers are high given the minimum capacity requirements for efficient operations. According to CRIS INFAC, an investment of up to Rs. 5 billion would be required to set up a 0.2 million tpa LLDPE/HDPE swing plant.

Demand for LDPE is expected to be affected by competition from LLDPE. Depending on the relative demand-supply conditions for LLDPE and HDPE, certain swing plants could modify operations so as to change the production level of LLDPE and HDPE.

In 2000-2001 domestic demand for LDPE/LLDPE increased by 8.6% to 0.534 million tpa. Demand for LDPE increased by 3.4% to 0.239 million tpa while demand for LLDPE increased by 13.1% to 0.295 million tpa. The relatively lower growth in demand for LDPE was primarily on account of lower growth in general purpose packaging sectors and competition from LLDPE. In 2001-2002, CRIS INFAC estimates that domestic demand for LLDPE and LDPE increased by 8.5% to 0.58 million tpa. Demand for LDPE increased by 3% to 0.246 million tpa and demand for LLDPE increased by about 13% to 0.333 million tpa. In 2001-2002 LDPE capacity was stagnant at 0.16 million tpa whereas LLDPE capacity increased by 2.5% to 0.52 million tpa. In the same year, HPL increased the capacity of its HDPE/LLDPE swing plant by 25,000 tpa to 0.25 million tpa. In 2000-2001, LDPE/LLDPE production increased by 26% to 0.544 million tpa. Supply of LDPE declined marginally to 0.184 million tpa whereas supply of LLDPE increased by 46% to 0.36 million tpa. In 2001-2002 production of LDPE/LLDPE was estimated to have increased by 16% to 0.633 million tpa, with production of LDPE remaining steady at 0.184 million tpa and production of LLDPE increasing by 25% to 0.449 million tpa.

In 2000-2001, domestic LDPE manufacturing capacity was as follows:

Manufacturer	Location	State	Capacity (tpa)
GAIL	Auriya	Uttar Pradesh	80,000
Haldia Petrochemicals	Mednipur	West Bengal	112,500
IPCL	Nagothane	Maharashtra	112,500
RIL	Hazira	Gujarat	200,000
Total			505,000

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

Polypropylene

Polypropylene is the main thermoplastic produced from propylene. It is the lightest of all major plastics and is used primarily in the manufacture of carpet backing, luggage and woven sacks. Polypropylene is obtained by the polymerisation of propylene, in the presence of suitable catalysts.

The total installed capacity in the domestic polypropylene industry was estimated at 1.38 million tpa in 2002. RIL had a capacity share of 70%, and we had a capacity share of 13%. The entry barriers are high. CRIS INFAC estimates that investment of up to Rs. 5 billion is required for a 350,000 tpa polypropylene plant.

In 2000-2001, demand for polypropylene increased by 14.7%, to 940,000 tonnes. The increase in demand was largely from the injection moulding and raffia segments. In 2001-2002, total demand is estimated to have increased by 13.8% to around 1.07 million tpa.

On the supply side, in 2000-2001, polypropylene production increased significantly by 46% to 1.17 million tpa as RIL's Jamnagar unit stabilised and HPL commenced production.

In 2000-2001, domestic polypropylene manufacturing capacity was as follows:

Manufacturer	Location	State	Capacity (tpa)
HPL	Mednipur	West Bengal	210,000
IPCL	Baroda	Gujarat	130,000
IPCL	Nagothane	Maharashtra	60,000
RIL	Hazira	Gujarat	360,000
RIL	Jamnagar	Gujarat	600,000
Total			**1,360,000**

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

PVC

PVC is the most widely used thermoplastic in India. The primary applications of PVC are in two major segments: rigid (pipe, fittings, films, bottles profiles) and flexible (wire and cables, calendered sheets, footwear). With a capacity of 205,000 tpa, we are currently India's second largest producer of PVC, and had a capacity share of 27% in 2000-2001. RIL commanded a capacity share of 35%.

In 2000-2001, domestic polypropylene manufacturing capacity was as follows:

Manufacturer	Location	State	Capacity (tpa)
Cheplast Sanmar	Salem	Tamil Nadu	60,000
DCM Shriram	Meerat	Uttar Pradesh	33,000
DCW	Chidambarnagar	Tamil Nadu	60,000
Finolex Industries	Pimpri, Pune	Maharashtra	130,000
IPCL	Gandhar	Gujarat	150,000
IPCL	Baroda	Gujarat	55,000
RIL	Hazira	Gujarat	300,000
Total			**788,000**

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

Polybutadiene Rubber

We are currently India's only producer of polybutadiene rubber with an installed capacity of 50,000 tpa. Polybutadiene rubber is mainly used in the manufacture of automotive tyres and footwear.

Fibres and Fibre Intermediates

Fibres and fibre intermediates comprise acrylic fibre, PTA/DMT and MEG. We are one of India's largest producers of acrylic fiber and are India's only manufacturer with access to its own supply of feedstock. Both PTA and DMT are intermediates for production of polyester fibres. We are currently India's second largest supplier of MEG after RIL. In fiscal 2002-2003, installed capacity of MEG in the country was 615,000 tpa, of which our capacity was 160,000 tpa (26%). Estimated Indian production of MEG equaled 612,450 tonnes, of which we produced 180,250 tonnes (29%).

Basic and Other Chemicals

Basic chemicals include olefins (ethylene, propylene and butadiene) and aromatics (benzene and toluene). Substantially all the ethylene and propylene produced in India by us and other producers is consumed internally by downstream units in the complexes where ethylene and propylene are produced. However, certain petrochemical production facilities in India use imported ethylene as feedstock.

In 2000-2001, domestic chemicals capacity, demand and production were as follows:

Chemicals	Capacity	2000-2001 (tpa)	
		Demand	Production
Ethylene	2,375,000	2,091,256	1,884,100
Propylene	1,568,460	1,382,180	1,378,183
Butadiene	119,150	54,427	48,250
Benzene	789,770	457,900	477,500
Toluene	181,997	118,997	143,800

Source: CRIS INFAC Petrochemicals Annual Review, December 2002

Ethylene

In fiscal 2002, India's estimated installed capacity of ethylene was 2.42 million tpa. Of this installed capacity our capacity was 0.83 million tpa (34% of the total capacity). The other producers are RIL, GAIL and HPL. All the manufacturers captively consume most of their ethylene to produce polymers, fibre intermediates and other chemicals.

Propylene

Propylene is a co-product of ethylene, which is obtained from a cracker complex. It can also be produced by refineries which have a propylene recovery unit. Propylene is obtained by fractionating an ethane/propane mixture of hydrocarbons, naphtha and natural gas. In general, crackers using naphtha as a feedstock produce higher quantities of propylene (as compared with ethylene) than gas based crackers.

During the period 1996-1997 to 2000-2001, propylene demand increased at a CAGR of 41%, the highest of all basic petrochemicals. The increase in propylene demand was largely on account of the significant increase in PP production. India's propylene capacities increased significantly during the past few years due to commissioning of cracker capacities by domestic participants. In 2001-2002, the installed capacity of propylene was 1.59 million tpa, with RIL accounting for the 62% of the total domestic capacity. We have a capacity of 0.22 million tpa.

Other Chemicals

We also manufacture other chemicals such as LAB, benzene and acrylates.

We were the first manufacturer of LAB in India. The other producers of LAB in India are RIL, Tamil Nadu Petro Products Limited and Nirma. In fiscal 2003, India's estimated installed capacity of LAB was 318,500 tpa, of which 43,500 tpa (13.7%) was attributable to us. In fiscal 2003, Indian production of LAB was estimated at 370,000 tonnes, of which 55,000 tonnes (14.8%) was attributable to us.

Feedstocks

Feedstocks account for 60-70% of the total raw material costs of petrochemical producers and hence the availability and pricing of feedstock is critical to their profitability. A wide range of alternate feedstocks, such as naphtha, ethane/propane, liquefied petroleum gas (LPG), natural gas liquids and gas oil, can be used for producing petrochemicals. The selection of feedstock depends on relative yields of olefins and aromatics, energy costs, investment levels, availability and pricing.

Regions or countries, such as Japan, which do not have reserves of either naphtha or natural gas, prefer to crack naphtha. Naphtha is easier and less expensive to transport in liquid form and availability can be assured. It is relatively more expensive and difficult to transport natural gas, as it can be transported over long distances only in liquid state in cryogenic vessels. In addition, the transportation of natural gas requires expensive plants for liquefaction and re-gasification.

CRIS INFAC estimated that, as of December 2002, naphtha accounted for a large proportion of ethylene feedstock (53%), followed by ethane (29%), propane (8%), gas oil (5%), butane (4%) and others (1%). LPG, largely propane and butane, is also used worldwide but does not account for more than 25% of the total feedstock used in any single region. The use of propane as a feedstock increased through the mid 1980s and stabilised in the early 1990s. Only 20% of the total propane available was used for ethylene production.

In India, naphtha and ethane/propane fractions of natural gas are largely used as feedstocks in crackers. RIL, our plant at Vadodara, HPL and NOCIL use naphtha as a feedstock; our plants at Nagothane and Gandhar and GAIL use natural gas fractions. RIL has the flexibility to use naphtha and/or natural gas liquids (NGLs). According to CRIS INFAC estimates, around 59% of cracking capacity in the domestic market is based on naphtha, while the rest is based on gaseous feedstocks.

Naphtha

The availability of naphtha is dependent on the demand and production of middle level distillates (high speed diesel and kerosene). A large portion of naphtha production is used for blending with motor gasoline (petrol) and the remaining portion is used for other purposes including fertilisers, petrochemicals and power.

During the 1996-1997 to 2000-2001 period, CRIS INFAC estimated domestic naphtha production in the range of 6.1-11.2 million tonnes and consumption in the range of 4.17-11.6 million tonnes. In 2000-2001, petrochemicals represented approximately 51% of the total consumption of naphtha. While there was a surplus of naphtha in India up to 1996-1997, from 1997-98 onwards there has been a shortage of naphtha. In 1999, naphtha prices were decontrolled and prices currently move in line with international prices.

The supply of naphtha depends on refining capacity, the crude mix and refinery product mix. As new projects in the petrochemical and power sectors and naphtha based fertiliser capacities achieve commercial production, demand for naphtha may increase.

Natural Gas

We estimate that at present only around 7% of the domestic natural gas production is used by the petrochemical sector. Availability of natural gas in India has historically been lower than demand. Demand for natural gas has increased due to, among other things, the commissioning of new fertiliser plants and growth in the power sector.

Under the current policy of the Government of India, the Consumer Price of natural gas is administered and fixed by the Government of India ("Consumer Price"). The Consumer Price is linked to a "reference price" based on a pre-determined basket of international fuel prices ("Reference Price"). This Reference Price is calculated on a quarterly basis. The Consumer Price has been linked to 75% of the Reference Price since fiscal 2000, with a range of a floor price of Rs. 2,150 per 1000 SCM and a ceiling price of Rs. 2,850 per 1000 SCM ("Ceiling Price"). The above mentioned prices are for a net heating value of 10,000 kcal per SCM and would vary with the actual heating value. Currently, the Reference Price is such that it yields a Consumer Price that is higher than the Ceiling Price. In addition to this administered Consumer Price, the cost of natural gas also includes certain statutory levies such as royalties and purchase taxes. Gas consumers pay GAIL and other gas transportation companies transmission charges for transportation of natural gas from Hazira or other locations to their respective facilities.

The Government is considering revisions to natural gas prices but no proposal has been announced as of the present time for deregulation of these prices. It has been reported that the Government is considering constituting a tariff committee to study the cost of production of the major natural gas producers in India and to advise on a reasonable level of natural gas prices until these prices are deregulated. If the Government's administered pricing regime were to be replaced by a market driven determination of pricing of natural gas, the following factors may influence the price of natural gas: demand for natural gas; supply from domestic sources and quantum and price of imported natural gas; price of alternate fuels; taxes, duties and other statutory levies; and transportation charges.

Taxes and Duties

Important factors that influence the price of petrochemical products and feedstocks in India are customs duties on imported products, excise duties and sales tax. These taxes and duties not only directly apply to petrochemical product prices and sales, but also increase the cost of raw materials, supplies, plant, machinery and other items.

Customs Duties

Customs duties are imposed on the import of goods into India. The duty is collected when the goods are cleared for domestic consumption. In January 2004, the peak import duty was lowered from 25% to 20%, ahead of the schedule committed to by India in the WTO. In addition, India eliminated a special additional duty of 4% which had been applicable on imported products.

Currently the import duty on polymers is 20%. The import duty on naphtha, which is the main feedstock, is 10%. Import duties on polymers in Thailand and Malaysia are comparable to those imposed in India, but China's import duty on polymers is between 10% and 12%.

For 1999 to 2004, the domestic import duties were as follows:

	As of March 31,				As of January 31,	
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
Feedstocks						
Propane	10%	10%	10%	10%	10%	10%
Naphtha	5%	5%	10%	10%	10%	10%
Polymers						
LDPE/LLDPE	35%	35%	35%	30%	25%	20%
HDPE	35%	35%	35%	30%	25%	20%
PVC	35%	35%	35%	30%	25%	20%
Polypropylene	35%	35%	35%	30%	25%	20%
Polybutadiene Rubber	40%	35%	35%	30%	25%	20%
Fibres and Fibre Intermediates						
Paraxylene	5%	5%	5%	5%	10%	10%
DMT	25%	25%	20%	20%	20%	20%
MEG	25%	25%	20%	20%	20%	20%
Chemicals						
Basic Chemicals						
Ethylene	15%	15%	15%	15%	15%	15%
Propylene	15%	15%	15%	15%	15%	15%
Other chemicals						
Orthoxylene	15%	15%	15%	15%	15%	15%
Benzene	15%	15%	15%	15%	15%	15%

For further details see "Risk Factors as Perceived by the Company" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 14 and page 120, respectively, of this Preliminary Sale Document.

Excise Duty

Excise duty is levied on the manufacture or production of goods. The duty is paid by the manufacturer, on the basis of the price of the goods, when goods are removed from the place of manufacture, and are recovered by the manufacturer as part of the ultimate selling price of the goods. Although excise duty is not applied to imported products, a countervailing duty at a rate equal to the relevant rate of excise duty is imposed on imports to ensure no competitive advantage is obtained over domestically produced goods. The rate of excise duty applicable to all the products manufactured by us was 16% in fiscal 2002-2003.

Sales Tax

Sales tax in India is levied both by the central and state governments. Sales tax levied by the central Government applies to interstate transactions and the sales tax levied by the states applies to sales deemed made within each state. State governments also levy certain other taxes from time to time. State governments grant temporary exemptions from the sales tax they impose on goods produced at manufacturing plants located within certain areas in those states that have been designated as economically disadvantaged. Sales tax represents the main source of income for each state. Sales tax is not applied to imports.

OUR BUSINESS

History and Background

We are a leading Indian integrated manufacturer of petrochemical products. Our primary products are polymers, fibres and fibre intermediates and chemicals. We were established in March 1969 as a Government of India undertaking, with the objective of establishing a petrochemicals company and developing the petrochemicals market in India. The construction of our first petrochemicals complex began in 1970 at Vadodara in the state of Gujarat and commercial production at this complex commenced in 1973. Our second petrochemicals complex was commissioned in 1992 at Nagothane in the state of Maharashtra and our third complex was commissioned in 1997 at Gandhar in the state of Gujarat. In March 1992, our equity shares were listed on the Vadodara stock exchange, and subsequently our equity shares were listed on several other major stock exchanges in India. Our Global Depository Receipts are listed on the Luxembourg Stock Exchange.

In June 2002, the Government, as part of its programme of disinvestments of India's public sector undertakings, disinvested 26% of its shares in our Company to Reliance Petroinvestments Limited ("RPiL"), a member of the Reliance Group, following a competitive bidding process. The Reliance Group is one of India's leading business groups, with significant interests in petrochemicals, oil refining, exploration and production of oil and gas, telecommunications and generation and distribution of electricity. The Reliance Group's petrochemicals business is conducted through Reliance Industries Limited, which is India's largest private sector company in terms of assets, revenues and profits, among others. On June 4, 2002, RPiL and the Government executed a Share Purchase Agreement and a Shareholders' Agreement, pursuant to which RPiL acquired 26% of our outstanding equity shares from the Government at a price of Rs. 231 per equity share, for an aggregate cash payment of Rs. 14,908 million. In connection therewith, RPiL acquired management control of our Company and appointed six directors to our Board. Upon the completion of the acquisition, the Government's shareholding in our Company declined to 33.95% of our outstanding equity shares. Following its acquisition of our equity shares from the Government, RPiL made a mandatory open offer to our shareholders, and acquired an additional 20% of our outstanding equity shares, at a price of Rs. 231 per share, for an aggregate cash payment of Rs. 11,468 million. Upon the completion of the open offer, RPiL's shareholding in our Company increased to 46%. On January 15, 2004, the Government and RPiL executed an amendment to the Shareholders' Agreement. For further details see "Our Promoter" on page 150 of this Preliminary Sale Document.

We are currently the second largest petrochemicals company in India, next only to Reliance Industries Limited, which is the flagship company of the Reliance Group. We were ranked as the 29th largest company in India in terms of sales, with net sales in fiscal 2003 of Rs. 50,290 million. In fiscal 2003, 70% of our net sales were from polymers, 14% from fibres and fibre intermediates, 14% from chemicals and 2% from trading, other activities. We derived 92% of our net sales in fiscal 2003 from the sale of our products in the Indian market. We also exported our products to 45 countries in fiscal 2003.

We operate three integrated petrochemicals complexes in India - a naphtha based cracker complex at Vadodara; a gas based cracker complex at Nagothane; and a gas based cracker complex at Gandhar. Our catalyst manufacturing unit ("CATAD"), is located at Thane in the state of Maharashtra, although we are in the process of moving the CATAD and integrating it with our Nagothane complex.

Our Vadodara complex includes a naphtha cracker with an installed capacity of 130,000 tonnes of ethylene per year as well 15 downstream plants currently in operation that manufacture various other products. These products include low density polyethylene (LDPE), poly vinyl chloride (PVC), polypropylene (PP), polybutadiene rubber (PBR), acrylic fibre (AF), dry-spun acrylic fibre (DSAF), ethylene glycol (EG) / ethylene oxide (EO), linear alkyl benzene (LAB), acrylates and benzene. The Nagothane complex includes an ethane / propane cracker with an installed capacity of 400,000 tpa of ethylene and six downstream plants that manufacture LDPE, linear low density polyethylene (LLDPE) / high density polyethylene (HDPE) in swing mode, PP, EG / EO and butene-1. The Gandhar complex has an ethane / propane cracker with an installed capacity of 300,000 tpa of ethylene, a caustic chlorine plant and four downstream plants that manufacture of vinyl chloride monomer (VCM), PVC, HDPE and EG / EO.

Business Strategy

Our business strategy is to consolidate our position in the Indian market, pursue growth opportunities in international markets and enhance our competitiveness. We intend to achieve this in the medium term by (i) increasing our operating efficiency, (ii) expanding our product offerings and developing new product applications, (iii) participating in growing global markets, (iv) expanding our production capacity, (v) leveraging our domestic distribution organisation and (vi) focusing on research and development.

Increasing our operating efficiency

We intend to focus on improving our operating efficiency by: (i) optimising our asset utilisation, (ii) achieving greater integration among our manufacturing complexes, (iii) reducing our operating costs and (iv) upgrading our processes and systems to benefit from new technologies.

We are focused on optimising our asset utilisation by operating our plants more efficiently and at higher operating levels. Recent efforts have resulted in improvements in capacity utilisation across all our manufacturing complexes. We intend to achieve further increases in our capacity utilisation by minimising downtimes and slowdowns and by increasing production targets without compromising the safety of our plants and personnel. We intend to further improve reliability of plant and equipment by carrying out detailed root cause analysis of the reasons for stoppages, such as process variations or equipment failure.

We will continue to seek to maximise our operating margins through greater integration among our manufacturing complexes. An example of such integration involves ethylene and propylene, which are the basic building blocks for downstream petrochemicals. Currently, surplus ethylene from the Vadodara complex is transferred to the Gandhar complex for conversion to polymers. Similarly, surplus propylene from the Gandhar complex is transferred to the Vadodara complex for conversion to PP and ACN. Such inter-unit transfers of surpluses in basic building blocks enable us to better utilise our plant capacities. We also reduce operating costs by using low value hydrocarbon streams as fuel or supplementary feedstock. We intend to identify other opportunities to reduce our dependence on external supplies.

We benchmark our operating costs against other companies to identify areas for cost reduction. Our energy consumption in terms of total energy consumed per tonne of product manufactured has decreased at all our complexes as a result of these efforts. The energy consumption of the Vadodara complex declined from 7.7 mmkcal/mt in fiscal 1990 to 4.65 mmkcal/mt in fiscal 2003, the energy consumption of the Nagothane complex declined from 6.1 mmkcal/mt in fiscal 1991 to 3.58 mmkcal/mt in fiscal 2003 and the energy consumption of the Gandhar complex declined from 4.67 mmkcal/mt in fiscal 1999 to 3.2 mmkcal/mt in fiscal 2003. We generate power using wind energy at our wind farms in Saurashtra in Gujarat. We plan to further reduce our energy consumption by managing our energy requirements more efficiently, operating our plants in an optimal manner, reducing waste and exploring the use of non-conventional energy sources.

We intend to continue to upgrade our processes and systems to take advantage of new technologies and remain competitive. We have developed and implemented a comprehensive linear programming model for optimising the manufacturing operations of our three complexes in terms of feedstock selection, internal unit transfers of hydrocarbon streams and product mix. We recently implemented SAP’s enterprise planning system across our Company, including at our three complexes.

Expanding our product offerings and developing new product applications

As a pioneer in the Indian petrochemicals market, we have sought to create markets for new products by educating potential customers on the benefits of these products and by working with them to create solutions for their petrochemical product needs. We intend to continue these practices to create new demand for petrochemical products. For example, we have, with the assistance of our dedicated product development centres, helped develop niche markets for some of our products, such as special LDPE grades for packaging applications, LLDPE film grades, HDPE pipe grades and special fine grades of PP and PVC grades for blow moulding and calendering.

Participating in growing global markets

Although our business is primarily focused on the Indian market, we have a direct presence in growing global markets like China, Vietnam and the Middle East. Since the petrochemicals business is cyclical and fluctuates from underutilisation to overutilisation of capacity, we believe that access to global markets will help maximise our production and sales volumes. We also believe that participation in global markets, especially markets in developed countries, will give us opportunities to develop new grades and applications and improve the quality of our products.

Expanding our production capacity

Given the low per capita consumption of petrochemical products in India compared to Asian and global averages, we believe that there is significant potential for growth in domestic demand for our products. We also believe that with the increasing prosperity of consumers in India, the demand for goods that incorporate petrochemical products will increase. We believe that these factors, combined with our strategies of expanding our product offerings, developing new product applications and participating in growing global markets, will result in an increase in the demand for our products. We expect to meet this increase in demand by expanding our manufacturing capacity or setting up new capacity.

Leveraging our domestic distribution organisation

We believe that our established national marketing network, with its focus on customer service, product quality and reliability of supply, provides us with a competitive advantage. We intend to leverage our marketing and distribution network to expand sales to our customers, as well as target segments of the market such as automobiles, telecommunications, agriculture and household appliances, where we expect to see greater demand for petrochemical products.

Focusing on research and development

Research and development activities are important to us. Our research centre was functional before our first plant was commissioned in 1973. We believe that this helped accelerate the acceptance of new technologies in India. Our research centre's efforts in refining processes and products, together with the efforts of our product application centres, have led to improvements in productivity with lower energy consumption and the widening of our grades and applications. We are currently focusing on new application development in several end-use sectors like agriculture, water management, telecommunication, automobiles and household appliances. Our research activities also encompass development of catalysts for petrochemical processes, new adsorbents for separation of monomers and for drying applications, benchmarking of polyolefin grades, value addition to by-products and treatment of industrial effluents. We believe that our research and development activities have helped us develop a wide range of applications for our products, thereby increasing the overall demand for our products.

Product Profile

Our products are classified into the following categories:

- Polymers such as polyethylene, polypropylene and polyvinyl chloride and synthetic elastomers such as polybutadiene rubber
- Fibres and fibre intermediates such as acrylic fibre, mono ethylene glycol and acrylonitrile
- Chemicals including basic chemicals such as ethylene, propylene and butadiene and other chemicals such as linear alkyl benzene, ethylene oxide and caustic soda

Polymers

Polymers constituted 70% of our revenues in fiscal 2003. The key polymers produced by us are PE (LDPE, LLDPE, HDPE), PVC, PP, Agrifilms and PBR. We have a significant share of the domestic polyethylene and PVC markets with a market share of 26% in HDPE, 33% in LLDPE, 100% in LDPE and 27% in PVC. Our market share in PP is 16%.

We manufacture PBR, which is mainly used in automotive tyres, retreading material, industrial products and footwear. We have an installed capacity to produce 50,000 mtpa, using two plants of 30,000 and 20,000 tpa located at the Vadodara complex.

We sell polymers to approximately 7,500 customers, with our top five customers accounting for approximately 8% of net sales of polymers during the period from April 2003 to September 2003.

The following table shows our sales volumes and net sales (excluding excise duties) for our major polymer products for the periods indicated.

Polymers	Year ended March 31,					Nine Months ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
LDPE/LLDPE							
Tonnes	222,619	269,151	296,635	287,315	267,148	201,274	220,284
Rs. million	7,684	10,900	12,403	10,640	10,132	7,426	8,151
HDPE							
Tonnes	91,723	144,346	190,960	219,059	238,268	183,108	215,645
Rs. million	2,743	5,049	7,049	7,490	7,792	5,842	6,827
PVC							
Tonnes	208,868	180,434	221,119	228,820	202,104	155,791	186,370
Rs. million	5,148	6,227	8,141	7,526	7,789	5,877	6,653
Polypropylene							
Tonnes	164,250	170,102	182,666	193,336	183,993	142,149	177,357
Rs. million	4,645	5,724	6,715	6,645	7,122	5,379	6,328
Polybutadiene Rubber							
Tonnes	39,368	43,041	35,307	45,316	53,435	39,501	40,572
Rs. million	1,530	1,769	1,837	2,116	2,508	1,818	2,283
Agrifilm							
Tonnes	6,487	6,422	8,105	7,126	2,109	1,947	209
Rs. million	382	401	580	482	136	125	16

Fibres and Fibre Intermediates

Fibres and fibre intermediates accounted for 14% of our net sales during fiscal 2003. The key fibres and fibre intermediates produced by us are acrylic fibre, MEG and ACN.

Acrylic fibre is used as a substitute for wool, cotton, polyester and nylon. It is used in applications such as hand knitting, hosiery, weaving and furnishing fabrics. We have both wet and dry spun plants for manufacturing acrylic fibre with a capacity of 24,000 tpa giving us an approximate 21% share of total industry capacity. For fiscal 2003, our market share in acrylic fibres was 19%.

MEG is an intermediate used to produce polyester fibre. It is also used in several diverse applications such as the manufacture of polyester filaments and chips, explosives and antifreeze. We have the capacity to produce 180,000 mtpa of MEG resulting in a capacity share about 28% of domestic industry capacity. During fiscal 2003, our market share in MEG was approximately 29%.

ACN is used in the manufacture of acrylic fibre, ABS and pesticides. We are currently the sole domestic producer of ACN with an installed capacity of 30,000 tpa. The market is dependent on imports, which contributed to approximately 73% of the total consumption in fiscal 2003. Our market share in fiscal 2003 was 27%.

We sell fibres and fibre intermediates to approximately 150 customers, with our top five customers accounting for approximately 53% of net sales of fibres and fibre intermediates during the period between April 2003 and September 2003.

The following table shows sales volumes and net sales (excluding excise duties) for our major fibres and fibre intermediate products for the periods indicated.

Fibres and Fibre Intermediaries	Year ended March 31,					Nine Months ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
Acrylic Fibre							
Tonnes	17,609	16,353	15,084	17,866	18,981	8,243	16,941
Rs. Million	1,067	932	1,117	1,098	1,374	633	1,067
MEG							
Tonnes	57,220	84,999	154,691	178,273	187,842	142,485	135,554
Rs. million	1,159	2,452	4,047	3,655	5,085	3,551	4,548
ACN							
Tonnes	1,441	1,879	6,141	5,376	8,351	6,892	6,728
Rs. million	43	72	287	196	411	333	290

Chemicals

Chemicals accounted for 14% of our net sales in fiscal 2003. Chemicals include basic chemicals and other chemicals. Basic chemicals like ethylene and propylene are produced at our cracker plants predominantly for captive consumption. During fiscal 2003, we produced 816,155 tonnes of ethylene of which 97% was captively consumed and 253,318 tonnes of propylene, all of which was captively consumed. We also captively consumed all the 50,892 tonnes of butadiene produced during fiscal 2003. Other chemical products manufactured by us are LAB, EO and caustic soda.

LAB is principally used in the manufacture of soaps and detergents. We have an installed capacity of 43,500 tpa, which represents a domestic capacity share of approximately 13%. For fiscal 2002, our market share in LAB was approximately 19%.

EO is used in manufacturing ethoxylates, vinyl sulphone, choline chloride, glycol ether, drug intermediates and ethanolamines, among others. These in turn are used in various end user industries which include drugs and pharmaceuticals, textiles, pesticides and fertilisers. We have a capacity to produce 25,000 tpa of EO, which translates into a domestic capacity share of 29%. During fiscal 2003, our market share in EO was approximately 40%.

Caustic soda is used in industries such as aluminium, paper, textiles, soaps, dye intermediates, pharmaceuticals and chemicals. We have an installed capacity of 120,000 tpa of caustic soda, which represents a domestic capacity share of approximately 5.5%. During fiscal 2003, our market share in caustic soda was approximately 8%.

The following table shows sales volumes and net sales (excluding excise duties) for our major chemical products for the periods indicated:

Chemicals	Year ended March 31,					Nine Months ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
LAB							
Tonnes	52,540	52,834	51,075	56,130	54,029	35,822	40,144
Rs. Million	2,178	2,374	2,498	2,738	2,330	1,604	1,862
Benzene							
Tonnes	16,736	11,674	15,074	16,458	16,669	11,256	18,284
Rs. Million	183	173	294	240	375	225	432
Acrylates							
Tonnes	7,667	6,954	8,285	4,761	4,790	3,854	3,464
Rs. Million	388	344	470	256	260	205	214
Ethylene							
Tonnes	23,285	12,977	8,708	7,583	9,461	6,728	19,785
Rs. million	486	357	338	238	291	201	554
Ethylene Oxide							
Tonnes	11,833	13,540	14,027	15,822	22,406	17,241	15,333
Rs. million	419	511	520	569	953	721	727
Caustic Soda							
Tonnes	99,141	94,011	105,693	119,756	124,721	95,591	111,230
Rs. million	828	877	1145	1506	1040	745	1,201
Poly Glycols							
Tonnes	5,658	7,077	14,578	17,440	19,613	14,058	15,959
Rs. million	77	139	335	282	381	257	357
Other Major Chemicals							
Tonnes	70,709	48,959	56,490	51,302	53,808	44,255	26,368
Rs. million	684	421	590	538	716	582	371

Market Development and Product End Uses

When we entered the petrochemicals market in India, there was a limited demand for petrochemical products. We adopted a strategy that relied initially on developing a consumer base for petrochemicals products and creating product awareness. We also educated prospective end-users of our products on various applications, sources of finance, machinery, and ultimate markets, and assisted them with project proposals and the setting up of processing units.

In the late 1970s, we established application development centres to conceive, develop and test our new products in our key product areas. These centres interacted with educational and research institutions, end users, customers and machinery manufacturers to develop applications and new products. These centres aimed to substitute conventional materials with petrochemicals products. Our product development efforts are currently focused on product applications for plastics and rubber.

The following tables show the main uses of our petrochemical products:

Main Uses of Polymers

Product	Uses
LDPE / LLDPE	Consumer packaging / film, extrusion wires, cable coatings
HDPE pipes	Fertilisers / household packaging, woven sacks, cartons, crates, luggage,
PP	BOPP film / cement packaging, monofilament yarn, ropes
PVC	Water pipe, electrical conduit / wires, cables, sheets,
PBR	Automotive tyres and tubes, conveyor belts, footwear

Main Uses of Fibres and Fibre Intermediates

Product	Uses
AF/DSAF	Textiles
MEG	Polyesters, anti freeze
ACN	Acrylic fibre, acrylates, engineering polymers

Main Uses of Chemicals

Product	Uses
LAB	Personal care products
EO/Benzene/Toluene	Phenol / dyestuff / pharmaceutical/ paints / industrial use / caprolactum
Caustic Soda	Alumina / paper

Sales and Marketing

We market our petrochemical products throughout India directly to our customers and indirectly through our consignment agent network. Our direct marketing channel addresses the requirements of our large customers while the indirect marketing channel caters to our small customers, which are fragmented and widespread.

Our direct marketing efforts are conducted through our five regional sales offices which are located in Ahmedabad, Mumbai, Kolkata, Delhi and Chennai, which are supported by 14 sales centres in Vadodara, Rajkot, Surat, Jaipur, Indore, Nagpur, Pune, Daman, Ludhiana, Kanpur, Hyderabad, Bangalore, Bhubaneshwar and Madurai. The product management group at our offices in Mumbai and Vadodara and the logistics groups at our manufacturing sites support our sales offices and centres. As of December 31, 2003, we had 293 full time employees in sales and marketing positions.

Our indirect marketing efforts are conducted through approximately 130 consignment and del credere agents located throughout the country. Consignment agents store products and sell them to and invoice the ultimate customers on our behalf. Del credere agents do not handle the storage of our products. Both consignment and del credere agents are responsible for collecting the amounts due from customers and agree to compensate us in the event customers fail to pay for the products.

We believe that our extensive sales network provides us with a major competitive advantage, as it gives us a broad reach and ability to serve all kinds of customers, including small and fragmented customers. Given the wide and varied range of our product offerings, we have a large number of small customers. Approximately 40% of our total customers are located close to our complexes in western India, followed by approximately 27% in northern India, 22% in southern India and 11% in eastern India.

We provide technical support to our customers through our product application centre located at Vadodara by conducting trials at customer premises and technical seminars and training courses for industry representatives.

Exports

We export a wide range of products to approximately 45 countries. Our three major foreign markets are China, Vietnam and the European Union, which accounted for approximately 51%, 19% and 8%, respectively, of our total exports in fiscal 2003. Our net sales from exports were Rs. 4,238 million in fiscal 2003, representing 8% of our total net sales. Our sales and marketing efforts outside India are conducted through our offices in Shanghai (China), Ho Chi Minh City (Vietnam) and Jebel Ali (United Arab Emirates) as well as through offices of the Reliance Group. We have obtained "trading house" status from the Government, giving us certain administrative and regulatory advantages. See "Management's Discussions and Analysis of Financial Condition and Results of Operations - Evaluation of Factors Affecting our Operations - Trading Activities".

Competition

The petrochemical industry in India is dominated by three large producers in addition to us. These are RIL, GAIL and HPL. However, since petrochemical products can be freely imported into India, we and our domestic competitors face competition from products manufactured by global manufacturers like Dow Chemical, ExxonMobil, LG Chemicals, Royal/Dutch Shell and SABIC.

We believe that our cost effective integrated petrochemicals facilities, emphasis on customer satisfaction, reliability of supply and product quality provide us with a competitive advantage in many of our products.

The Indian petrochemicals industry changed significantly when RPiL, which is a part of the Reliance Group, acquired management control of our Company. The largest company in the Reliance Group is RIL, which is India's largest petrochemicals company. We believe that synergies with RIL will enable us to compete more effectively in the domestic and international markets. For further details see "- Synergies with the Reliance Group" on page 92 of this Preliminary Sale Document.

Polymers

RIL and our Company have the first and second largest market shares, respectively, in domestic polymers. The table below gives the respective market shares, in percentage terms, of the industry participants during fiscal 2001:

Industry Participant	HDPE	LLDPE	LDPE	PP	PVC	Total
Chemplast	-	-	-	-	5.5	1.3
DCM Shriram	-	-	-	-	4.3	1.0
DCW	-	-	-	-	8.5	2.0
Finolex Industries	-	-	-	-	16.7	4.0
GAIL	18.6	10.0	-	-	-	5.4
Haldia Petrochemicals	16.4	21.3	-	7.0	-	8.7
IPCL	26.0	33.2	100.0	15.6	27.0	27.5
NOCIL	7.1	-	-	-	-	1.6
RIL	31.9	35.4	-	77.4	37.9	48.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CRIS INFAC Petrochemicals Annual Review: December 2002

Fibres and Fibre Intermediates

The acrylic fibre industry has historically witnessed low profit margins and operating rates, both in India and internationally. This has resulted in under-utilisation of capacity by us as well as most of our domestic competitors. Our competitors include Indian Acrylic Limited, Pashupaty Acrylon Limited, Vardhaman Acrylic Limited and Consolidated Fibres Corporation Limited, which operate 34%, 20%, 14% and 10% of domestic production capacity in acrylic fibres, respectively. We operate 21% of the domestic production capacity. Our competitive advantage in this market is our access to ACN and methyl acrylate which are raw materials that we produce ourselves. We believe that our synergies with the Reliance Group, which is a leader in the production of man made fibres, will improve the prospects of our acrylic fibre business.

RIL is the largest producer of MEG in India, and operates 65% of the domestic production capacity. RIL consumes a significant portion of its MEG production as raw material for its downstream polyester units. We operate 24% of the domestic production capacity, and are the largest merchant seller of MEG in India. The third largest producer of MEG is Indian Glycol Limited, which operates 8% of the domestic production capacity.

Chemicals

The LAB industry in India is highly competitive. The domestic supply of LAB exceeds demand significantly, and this situation is expected to continue for several years. Currently there are three other major producers in the domestic LAB industry, which are RIL, Tamil Nadu Petro Products Limited and Nirma Industries with market shares of 36%, 34% and 19%, respectively. Our market share is 11%. Indian Oil Corporation Limited has announced that it will commission new LAB capacity of 100,000 tpa at Vadodara, in fiscal 2005. This is likely to intensify the competition in the domestic LAB market.

Synergies with the Reliance Group

The Reliance Group is the leader in the petrochemicals industry in India and we, as a significant player in the petrochemicals business, enjoy certain synergies with the Reliance Group. We aim to implement the Reliance Group's vision and benefit from access to its managerial expertise, management information and financial systems and management review processes and established project execution. We also share certain infrastructure, information technology and human resources.

We have begun to benefit from our relationships with the Reliance Group, particularly in our marketing operations. We have sought to optimise our product grades between the two companies focusing on our respective strengths with respect to market acceptability, cost and logistics. The Reliance Group has expertise in manufacturing fibres and this experience has been utilised by us to improve operations at our acrylic fibre plants. We have been able to access the fibres market through the Reliance Group's marketing and distribution network. We believe that Reliance's asset utilisation capabilities are enabling us to increase our production through stretch targets and effective management review processes. Our cash collection from customers also has improved as a result of management support from Reliance.

As a result in part of the acquisition of management control by RPiL, our credit rating by CRISIL Ltd. has improved from AA- (AA minus) to AA.

Manufacturing Facilities and Operations

We currently operate three integrated petrochemical complexes, which are located in western India at Vadodara and Gandhar in the state of Gujarat and Nagothane in the state of Maharashtra. The location of these complexes is based on a variety of factors, including the logistics of feedstock supply and product movement, proximity to key markets as well as climatic and other operational factors. In addition, we have a catalyst and adsorbent unit ("CATAD") at Thane in Maharashtra, which is in the process of being transferred to and integrated with our operations in Nagothane.

Our manufacturing operations benefit from our relationship with the Reliance Group. Naphtha, which is the major feedstock for the Vadodara complex and the fuel for power plants at Gandhar, is sourced from RIL's refinery at Jamnagar in the state of Gujarat. Surplus streams in our and RIL's petrochemical complexes can be used in each other's complexes. We and the Reliance Group attempt to utilise all available, low commercial value hydrocarbons in each other's complexes as feedstock or fuel. This reduces external purchases and results in production cost savings. Similarly, liquid hydrocarbon waste streams which were sold in the market as low priced fuel are now utilised to replace costly naphtha as a fuel in power plants at Gandhar. Aromatic rich waste streams originating in our complexes at Nagothane and Gandhar which were sold as low price fuel in the market are now used to extract benzene, a higher value-added product.

The following charts illustrate the inter-complex use of surplus streams before and after RPiL's acquisition of management control of our Company:

INTER-COMPLEX INTEGRATION

BEFORE RPiL ACQUISITION

KEY

BC : Vadodara complex

CA : CATAD division

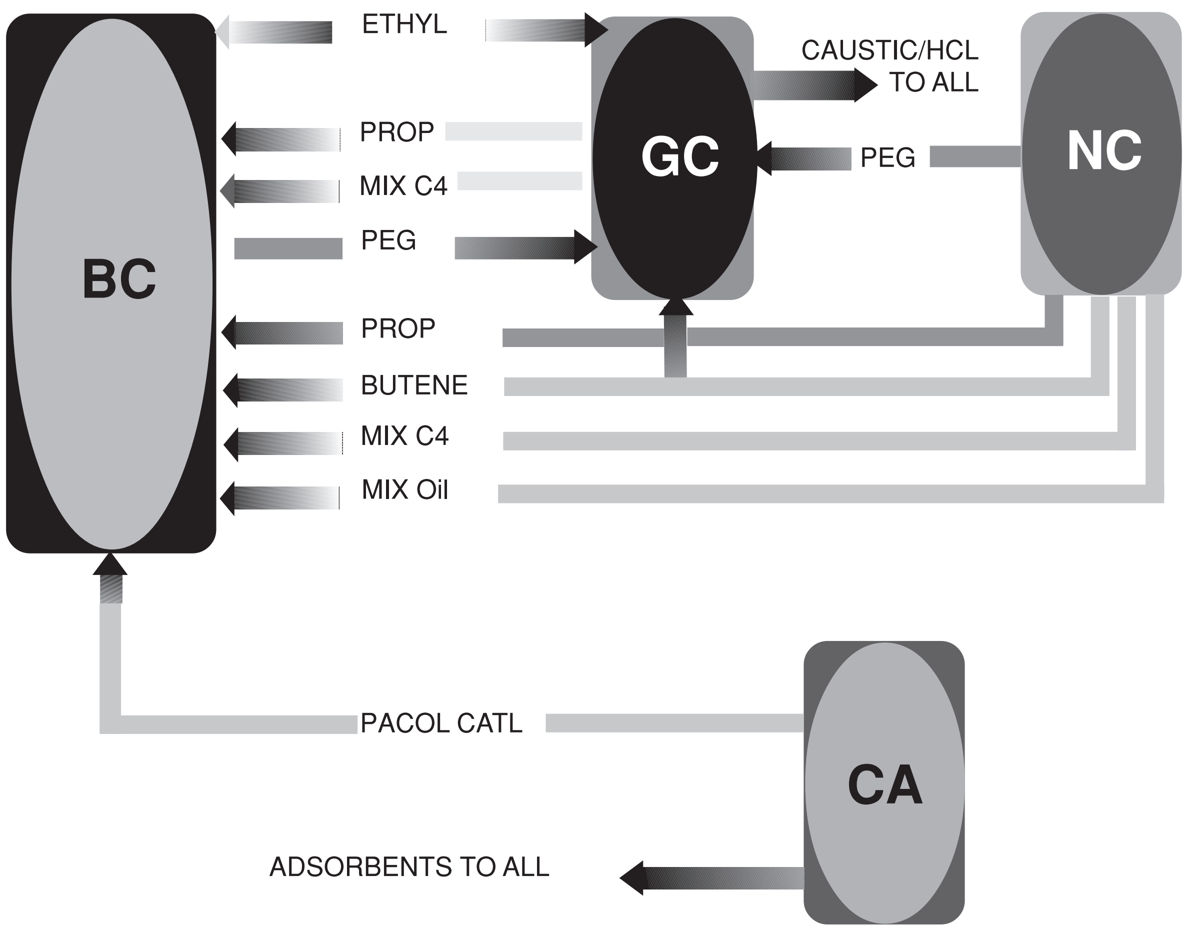
GC : Gandhar complex

HZ : Hazira

JN : Jamnagar

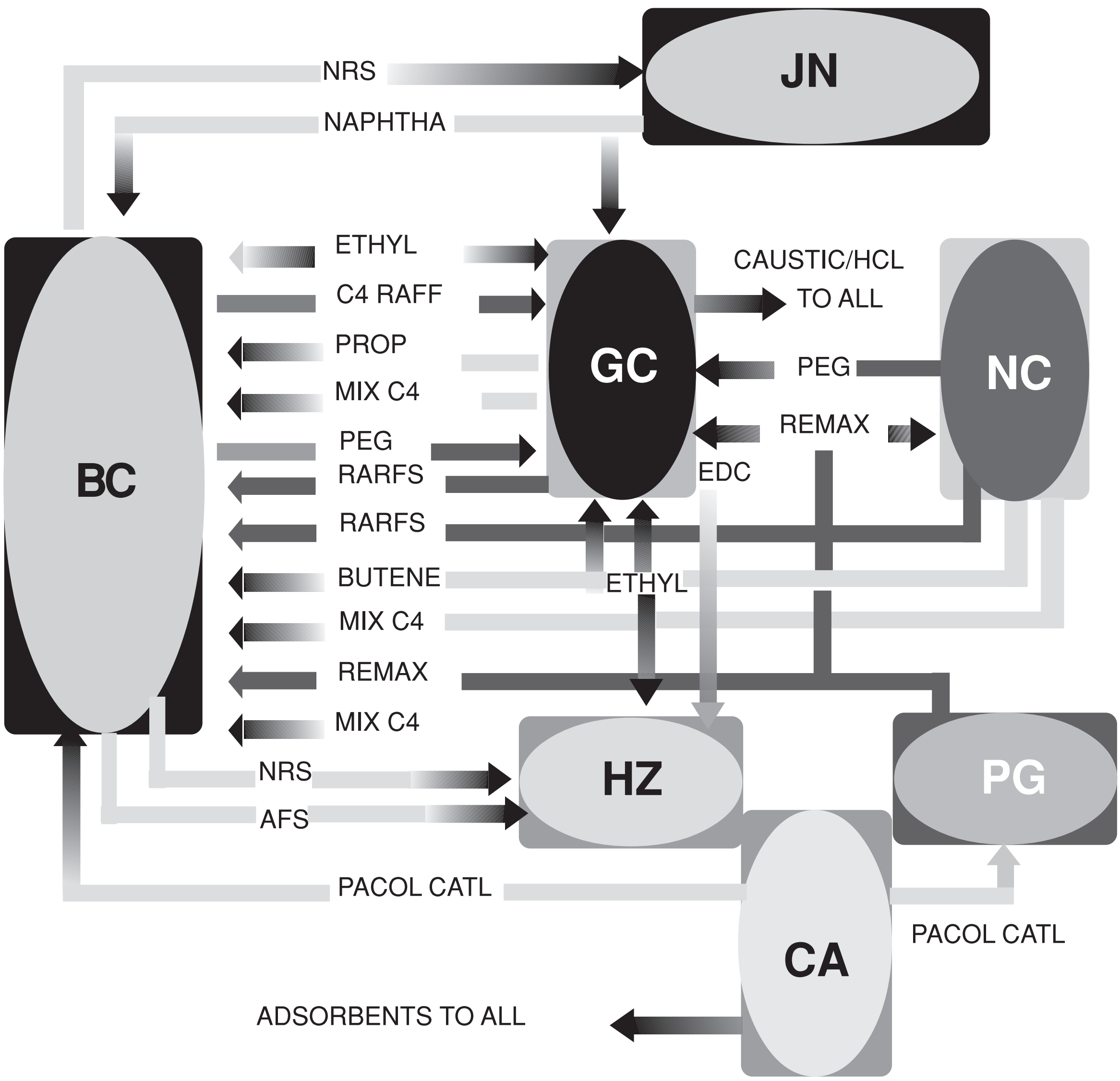
NC : Nagothane complex

PG : Patalganga



INTER-COMPLEX INTEGRATION

AFTER RPiL ACQUISITION



We use a comprehensive linear programming model to optimise manufacturing operations of all the three complexes in terms of feedstock selection, internal unit transfers of hydrocarbon streams and product mix. This model enables us to decide between producing and buying petrochemicals building blocks and intermediates. When import prices permit a good spread between the cost of imports and selling price, we augment any shortfall in our petrochemical building blocks or intermediates with imports. This model also helps us in our logistical planning and enables our complexes to focus on their respective strengths.

The Vadodara Complex

The Vadodara complex is an integrated petrochemical complex with a naphtha cracker and has 15 downstream plants in operation for the manufacture of polymers, fibres and fibre intermediates and chemicals. The Vadodara complex is spread over approximately 505 hectares, of which the manufacturing site occupies approximately 378 hectares. The Vadodara complex had 7,613 full time employees as of December 31, 2003, of which 777 were performing Head Office services such as marketing, research and development, corporate finance and accounts for all complexes, and 177 were performing educational services in schools run by our Vadodara complex.

Plants at the Vadodara complex

The following are the plants at the Vadodara complex, together with their year of commissioning, principal feedstocks, technology used and production capacity:

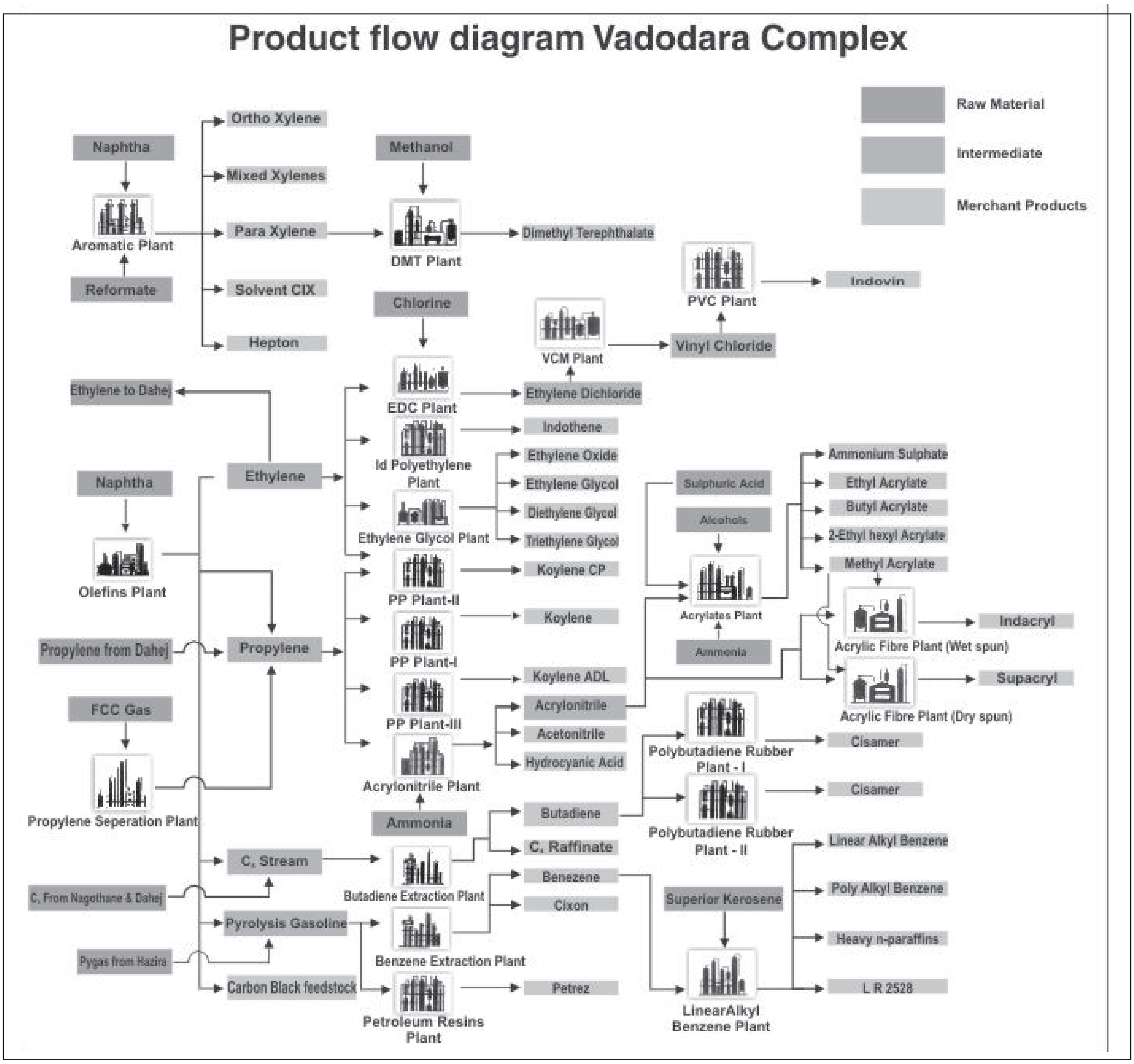
Name of Plant	Commissioned in Fiscal Year	Principal Feedstock(s)	Technology Used [1]	Capacity (tpa)
Naphtha Cracker	1979	Naphtha	Pyrolytic cracking / ABB Lummus (US)	130,000
LDPE Plant	1979	Ethylene	Autoclave process / ATO-Chemie	80,000
Ethylene Glycol / Ethylene Oxide Plant	1979	Ethylene	Partial oxidation process/ Scientific Design (US)	20,000
VCM Plant	1984	Ethylene and Chlorine	Air based oxychlorination and thermal cracking process / EVC Belgium	57,300
PVC Plant	1984	VCM	Suspension polymerisation (Geon, US)	55,000
Polypropylene Copolymer Plant	1988	Propylene	High yield slurry process / Montell (Italy)	25,000
Polypropylene Plant	1996	Propylene	Spheripol process/ Montell (Italy)	75,000
Acrylonitrile Plant	1979	Propylene and Ammonia	Vapour phase catalytic reaction technology / BP Chemicals (US)	30,000
Acrylates Plant	1983	Acrylonitrile and Alcohols	Sulfonation, hydrolysis, esterification process - NCL (India)	10,000
Acrylic Fibre Mono-component Plant	1979	Acrylonitirile Methyl Acrylate	Wet spun process / Shah Chemical (Japan)	12,000
Acrylic Fibre Bi-component Plant	1989	Acrylonitrile, Methyl Acrylate	Dry spun process - Dupont (US)	12,000
Butadiene Extraction Plant[2]	1979	C_4 mix	Extractive distillation technology / UOP (US)	54,000
Polybutadiene Rubber Plant I	1979	Butadiene	Solution polymerisation technology / Polysar International (Canada)	20,000
Polybutadiene Rubber Plant II	1996	Butadiene	JSR (Japan)	30,000
Benzene Extraction	1979	Pyrolysis Gasoline	Extraction and fractionation process / UOP (USA)	23,600
LAB	1979	Benzene Superior Kerosene	Alkylation of benzene with olefins process / UOP (USA)	43,500

Notes:

(1) All technologies are under licence agreements from the named supplier.

(2) Updates in September 1996 with technology licenced from BASF.

The following flow chart presents the linkages of raw materials, intermediates and finished products for the plants at the Vadodara complex:



The Vadodara complex is highly integrated, which enhances its operational efficiency and presents more opportunities to enhance product value. The complex has undergone progressive expansion and technology upgrades since the commissioning of its first plant in 1973.

The Vadodara complex recently converted its six year old quality management system from ISO 9002:1994 to ISO 9001:2000 and was recertified under the revised ISO standards. The certification covers the complex's LDPE, PPCP, PVC, LAB, PBR-I and PBR-II plants as well as the associated service departments. We plan to seek ISO certification for our other plants at Vadodara.

The following table shows the installed capacity and, for the periods indicated, the plant performance in terms of production and capacity utilisation in respect of the major products manufactured currently at our Vadodara complex:

Products	Installed Capacity	Year ended March 31,				
	(tpa)	1999	2000	2001	2002	2003
Basic Chemicals						
Ethylene	130,000	140,881	148,667	155,342	149,717	155,366
(% of capacity)		108%	114%	119%	115%	120%
Propylene	107,460(1)	113,414	118,224	119,114	121,336	124,589
(% of capacity)		106%	110%	111%	113%	116%
Polymers						
LDPE	80,000	83,511	84,461	84,125	90,238	89,652
(% of capacity)		104%	106%	105%	113%	112%
PVC	55,000	55,571	54,370	50,843	53,274	56,724
(% of capacity)		101%	99%	92%	97%	103%
Polypropylene IV	75,000	71,505	75,020	86,125	84,535	92,659
(% of capacity)		95%	100%	115%	113%	124%
Polypropylene Copolymer	25,000	30,834	32,703	32,282	33,072	28,277
(% of capacity)		123%	131%	129%	132%	113%
Polybutadiene Rubber I	20,000	20,405	20,173	20,235	19,734	22,077
(% of capacity)		102%	101%	101%	99%	110%
Polybutadiene Rubber II	30,000	17,027	15,981	20,825	22,692	29,591
(% of capacity)		57%	53%	69%	76%	99%
Fibres and Fibre Intermediates						
Acrylic fibre monocomponent	12,000	10,819	11,480	12,807	11,583	10,086
(% of capacity)		90%	96%	107%	97%	84%
Acrylic fibre bicomponent	12,000	9,795	1,127	8,412	648	8,002
(% of capacity)		82%	9%	70%	5%	67%
MEG	20,000(2)	11,397	8,140	7,977	7,766	8,817
(% of capacity)		57%	41%	40%	39%	44%
Chemicals						
LAB	43,500	52,950	53,039	53,426	54,099	53,843
(% of capacity)		122%	122%	123%	124%	124%
Acrylates	10,000	9,422	7,911	9,672	5,924	6,513
(% of capacity)		94%	79%	97%	59%	65%
Benzene	23,600	34,320	30,026	32,841	34,173	36,891
(% of capacity)		145%	127%	139%	145%	156%
Ethylene Oxide	10,000(2)	8,003	9,159	9,029	10,399	10,180
(% of capacity)		80%	92%	90%	104%	102%

Notes:

(1) Total installed capacity is derived from installed capacity of the naphtha cracker of 81,300 tonnes of propylene per annum, and the installed capacity of the propylene separation plant of 26,160 tonnes of propylene per annum.

(2) Installed capacity of MEG plant is 20,000 mtpa on equivalent MEG basis. When ethylene oxide is produced, MEG capacity correspondingly decreases.

Plant performance

Naphtha Cracker

The ethylene and propylene produced by the naphtha cracker are used as the petrochemical building blocks for most of the complex's downstream plants. In addition, pyrolysis gasoline produced as a by-product of naphtha cracking is used as feedstock for a benzene extraction plant, and the butanes / butenes mix so produced is used as a feedstock for a butadiene extraction plant. During past five years, ethylene and propylene were produced at or above their rated capacities.

Downstream Plants

The naphtha cracker provides the feedstock for the Vadodara complex's 15 downstream plants currently in operation. In the past, there have been instances when a few of the plants at our Vadodara complex have under-performed. Such under-performance was primarily a result of several factors such as high production costs or low sales volumes. We have examined various options to improve performance at the Vadodara complex. During fiscal 2004, we have reduced costs at our Vadodara complex which, coupled with stable input prices and increasing realisations and demand for our products from the Vadodara complex, have resulted in performance improvements.

Polymers

During the past five years, most of our polymer products were produced at or in excess of their rated capacity, despite the age of many of our Vadodara plants.

In fiscal 2001, the PVC plant faced a shortage of VCM because of corrosion in the VCM plant. As a result, the capacity utilisation of the PVC plant was lower.

One of our polybutadiene rubber plants operated significantly below its rated capacity from fiscal 1999 to 2002 on account of the shortage of butadiene and higher plant downtime as a result of equipment breakdowns.

Fibres and Fibre Intermediates

In fiscal 1999 to 2003, our MEG plant utilisation rates indicate that it was operating significantly below its rated capacity. However, the deficit was a result of the decision to use the plant to produce ethylene oxide during that period.

Our xylenes plant was shut down in fiscal 1999 because the plant was not economically viable. Accordingly there has been no production of paraxylene, orthoxylene or DMT at this plant since then.

The Vadodara complex's acrylic fibre monocomponent as well as bi-component plants have operated at significantly varying rates because their operation is closely tied to the market price of acrylic fibre, which has fluctuated significantly.

Chemicals

The Vadodara complex's LAB, benzene and ethylene oxide plants have operated at or above their rated capacity during the past five years. The utilisation of our acrylate plant in the past four years was lower than its rated capacity because of adverse markets conditions for acrylates and acrylic fibre.

Raw material, fuel linkages and key suppliers

Until June 2002, we were dependent on IOC and international vendors for our naphtha supply. Since June 2002, we have received our domestic supply of naphtha from RIL's refinery at Jamnagar. The supply contract is valid until June 2007. If our naphtha requirements exceed the committed amounts from RIL's refinery (which, for example, happened in February 2003) we import naphtha from international vendors (through RIL or directly). We also purchase other feedstocks such as LABFS and PPFS and fuel such as LSHS and lean gas, from Government controlled enterprises. The Vadodara complex has storage facilities for all the key feedstocks, except gas, with adequate supply to sustain production for a period of at least 20 days.

Certain details on key suppliers of raw materials and fuels are provided in the following table:

Plant	Key Material	Consumption	Key Suppliers	Pricing Terms
Naphtha Cracker	Low Aromatic Naphtha (LAN)	560,000 tpa	RIL, International Market	Import Parity/Spot
PVC	Chlorine	40,000 tpa	GACL	Spot
PP IV / PPCP	Propylene	25,000 tpa	IOC	Import Parity
LAB	LABFS	300,000 tpa	IOC	Import Parity
GTPP	Lean Gas (fuel)	0.65 mmscmd	GAIL	Government Notified
IOP, ACN, DSAF, LAB	LSHS (fuel)	96,000 tpa	IOC/HPCL	Import Parity

Naphtha

RIL supplies the Vadodara complex with naphtha at import parity prices from the west coast of India based on Platts price quotes. The naphtha is carried by chartered vessels from Jamnagar to Dahej. We also have a pipeline to carry naphtha from Dahej to Vadodara. Our jetty at Gandhar and the jetty and storage facilities of GCPTCL provide us with infrastructure support needed for the unloading, storage and transportation of naphtha to the Vadodara complex. Feedstock naphtha is unloaded at GCPTCL and the Gandhar jetty and pumped to Vadodara through the Gandhar - Dahej - Vadodara pipeline.

Chlorine

We source chlorine from Gujarat Alkali and Chemicals Limited for the PVC plant. We do not have a supply contract for this supply of chlorine and negotiate prices on a periodic basis with the supplier.

Propylene

A majority of our propylene requirement at Vadodara complex is met with supplies from our complex at Gandhar, and any deficit is met by spot purchase from IOC. IOC supplies propylene in two forms: as an impure form received from the next door Gujarat refinery at Koyali, and as a pure form received from Mathura refinery. We own and operate propylene purification facility to upgrade the quality of incoming impure propylene from Gujarat refinery to render it suitable for consumption at our Vadodara complex.

LABFS

We purchase LABFS, which is required for the LAB plant at Vadodara, from the nearby IOC refinery at Koyali, under a supply contract valid until September 2008. Pricing is determined by IOC every month and is based on the import parity price of LABFS.

Lean Gas

The lean gas for the power plant at the Vadodara complex is purchased from GAIL's facilities at Hazira, which is approximately 200 kilometres from the Vadodara complex. The gas is transported by a pipeline owned by GAIL. Under our supply contract, GAIL has committed to supply 0.9 mmscmd of lean gas. The contract is subject to renewal annually. The purchase price of lean gas is based on the general gas prices provisionally determined by the Government.

LSHS

LSHS required at our Vadodara complex for steam generation is purchased from oil companies in India. Our requirement varies significantly based on the operating rate of our Vadodara complex and availability of lean gas. We have a term supply contract with IOC. Occasionally we buy LSHS from HPCL or other oil refineries in India.

Utilities

The Vadodara complex has two gas-fired combined cycle captive power plants of 32 MW each and two steam turbine driven generator sets with a capacity of 12.5 MW each, for a total installed capacity of 89 MW. Our current requirement is about 60 MW. The Vadodara complex can also obtain power from the local grid of Gujarat Electricity Board ("GEB") to meet shortfalls in internally generated power.

The Vadodara complex has the capacity to draw up to 22.5 million gallons of water per day from the river Mahi from two locations which are approximately 16 and 18 kilometers from the complex. The water reaches the complex by pipelines owned by us. Substantial water conservation measures have reduced water requirements from 14 million gallons per day in fiscal 2000 to the current level of seven to eight million gallons per day.

The energy index for the Vadodara complex measured in terms of millions of kcal of energy per tonne of products has improved from 7.7 million kcal per tonne in fiscal 1990 to 4.65 million kcal per tonne in fiscal 2003.

The following are recent awards we have received for energy conservation at the Vadodara complex:

- "National Energy Conservation Award" from the Ministry of Power, Government of India, in 2003, 2001, 2000 and 1996
- "National Award for Excellence in Energy Management" from the Confederation of Indian Industry, in 2002
- Indian Chemical Manufacturers Association Award for excellence in saving energy through innovative technology, in 1991

The Nagothane Complex

The Nagothane complex is an integrated petrochemical complex with an ethane/propane gas cracker and five downstream plants in operation for the manufacture of polymers, fibre intermediate (MEG) and chemicals. The Nagothane complex is spread over approximately 745 hectares, of which the manufacturing site occupies approximately 265 hectares. We commissioned this complex in April 1992. The cracker at the Nagothane complex was expanded in June 1998, which resulted in an increase in installed capacity of the cracker by 100,000 mtpa from 300,000 mtpa to 400,000 mtpa. The resulting increase in ethylene capacity is used to produce an additional 85,000 mtpa of polyethylenes. The Nagothane complex had 2,263 full time employees as of December 31, 2003.

Plants at the Nagothane complex

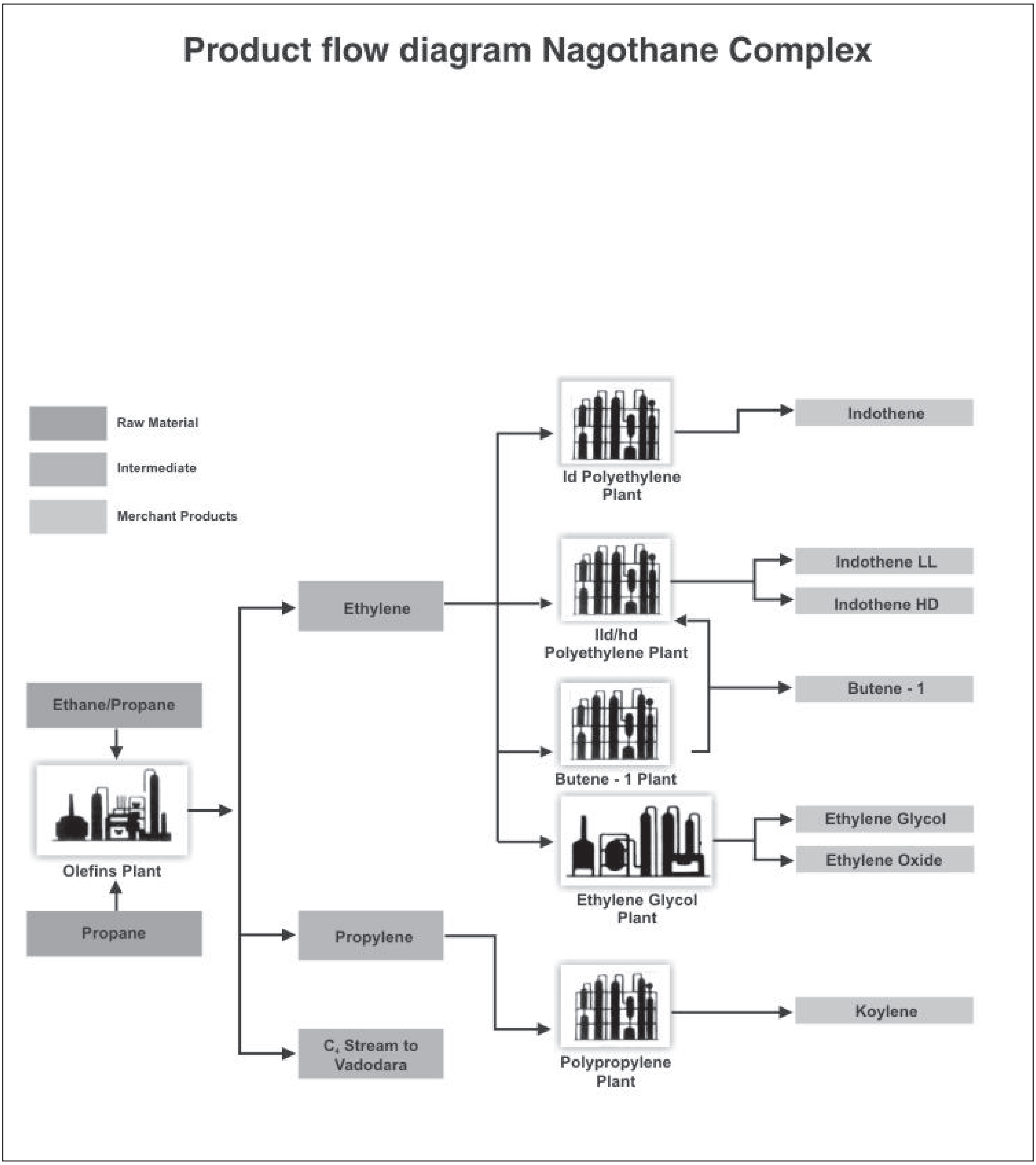
The following are the plants at the Nagothane complex, together with their year of commissioning, principal feedstocks, technology used and production capacity:

Name of Plant	Commissioned in Fiscal Year	Principal Feedstock(s)	Technology Used [1]	Capacity (tpa)
Gas Cracker	1992	Ethane/propane mix	Stone & Webster	400,000
LDPE Plant	1992	Ethylene	Autoclave process / Enichem (France)	80,000
Butene - 1 Plant	1992	Ethylene	Dimerisation process / IFP (France)	15,000
LLDPE / HDPE Plant	1993	Ethylene Butene - 1	Gas phase technology / BP Chemicals (UK)	220,000
Polypropylene Plant	1990	Propylene	Slurry process / Himont (US)	60,000
MEG / Ethylene Oxide Plant	1992	Ethylene	Partial oxidation process / Union Carbide (US)	50,000/5000

Notes:

(1) All technologies are under licence agreements from the named supplier.

The following flow chart presents linkages of raw material, intermediates and finished products for the plants at the Nagothane complex.



The Nagothane complex recently converted its six year old quality management system from ISO 9002:1994 to ISO 9001:2000 and was recertified under the revised ISO standards. The certification covers all the product plants.

The following table shows the installed capacity and, for the periods indicated, the plant performance in terms of production and capacity utilisation in respect of the major products manufactured at the Nagothane complex:

Product	Installed Capacity (tpa)	Year ended March 31,				
		1999	2000	2001	2002	2003
Basic Chemicals						
Ethylene	400,000	323,940	373,151	383,578	371,724	404,853
(% of Capacity)		81%	93%	96%	93%	101%
Propylene	80,000	66,505	70,900	72,291	73,474	75,941
(% of Capacity)		83%	89%	90%	92%	95%
Polymers						
LDPE	80,000	86,670	100,380	99,844	96,305	102,606
(% of Capacity)		108%	125%	125%	120%	128%
LLDPE/HDPE(1)	220,000	162,317	204,872	219,228	210,286	231,999
(% of Capacity)		74%	93%	99%	96%	105%
Polypropylene	60,000	60,213	63,007	68,737	69,227	69,961
(% of Capacity)		100%	105%	115%	115%	117%
Fibres and Fibre Intermediates						
MEG	50,000	46,303	50,301	49,010	53,379	57,640
(% of Capacity)		93%	101%	98%	107%	115%
Chemicals						
Wire and cable compounds	12,500	3,629	9,320	3,520	1	0
(% of Capacity)		29%	75%	28%	0%	0%
Butene - 1	15,000	6,867	10,919	13,026	11,095	9,478
(% of Capacity)		46%	73%	87%	74%	63%
Ethylene Oxide	5,000	3,811	4,806	4,513	5,428	7,046
(% of Capacity)		76%	96%	90%	109%	141%

Notes:

(1) LLDPE and HDPE are produced by the LLDPE/HDPE swing plant.

Plant performance

Gas Cracker

The ethylene and propylene produced by the gas cracker are the principal building blocks for downstream polymers. Ethylene is also a raw material for MEG, which is a fibre intermediate. These building blocks are produced by cracking ethane/propane, which is obtained from ONGC's plant at Uran and supplied to us through pipelines owned by us.

In May 1998, there was a shutdown of 33 days in the gas cracker plant to connect the cracker expansion with the main plant. The plant was re-started in June 1998. As a result of the shutdown, the gas cracker performed below its rated capacity in fiscal 1999 and as a result ethylene and propylene production was affected. In the subsequent years the production was short of rated capacity principally on account of the shortage of propane and ethane/propane feedstock. We have attempted to make up for shortfalls in ethane/propane supply from ONGC by importing propane. However, the yield of ethylene is lower with propane as the feedstock. Also, propane is a seasonal product and its prices are higher during winter. Hence, during periods when the import of propane is economically feasible, we have restricted our import of propane even though ethane/propane was in short supply. This situation has caused shortages in feedstock and reduced our capacity utilisation. In fiscal 2002, capacity utilisation was low because of equipment breakdown and the low availability of feedstock. In fiscal 2003, ethylene production was at rated capacity but propylene production was low because of propane shortages.

Polymers

We expanded the LLDPE/HDPE swing plant in September 1998. This resulted in an 80 day shutdown and capacity utilisation of 77% in fiscal 1999. For the other years in the most recent five-year period, plant utilisation was at or above rated capacity.

Fibre Intermediates

The MEG produced at the Nagothane complex is utilised as a fibre intermediate in the polyester industry. The MEG plant also produces ethylene oxide. In fiscal 1999, we shut down the plant for preventive maintenance during the period when the gas cracker mother unit was shut down. In fiscal 2001, the plant was shut down for 30 days to replace the plant's catalyst which had reached the end of its useful life. Therefore, capacity utilisation during these two years was below rated capacity but, for the other years in the most recent five-year period, the plant utilisation was at or above rated capacity.

Chemicals

Butene-1 is a co-monomer used in the production of LLDPE. The LLDPE plant does not consume the entire production of butene-1 and the utilisation of the butene-1 plant depends on the internal requirements of the LLDPE plant and market demand. Internal consumption has been low on account of a shutdown of the LLDPE plant. As market demand has been weak, the plant did not achieve its rated capacity in the last five years.

In March 2001, we shut down the wire and cable compounding plant at the Nagothane complex because of weakness in the market. If alternate opportunities for utilisation of the plant become available or there is a possibility of an upturn in the market for this product, we may consider re-opening the plant.

Raw material, fuel linkages and key suppliers

Certain details on key suppliers of raw materials and fuels are provided in the following table:

Plant	Key Material	Consumption	Key Suppliers	Pricing Terms
Cracker	Ethane/propane	570,000 tpa	ONGC	Government Notified
	Propane	180,000 tpa	Saudi Arabian Oil Company	Monthly
Captive Power Plant	Lean Gas (fuel)	0.4 mmscmd	GAIL	Government Notified

The Nagothane complex generally maintains sufficient storage of feedstock, except gas, to sustain production for approximately one week.

Ethane/propane

We purchase ethane/propane mixture, which is the primary feedstock for the Nagothane complex, from ONGC's plant at Uran under a supply contract valid until March 2006. The ethane/propane is transported to the Nagothane complex by our own pipeline. ONGC's periodic shutdown of its Uran Plant for maintenance results in the shutdown of the Nagothane Complex. The Nagothane Complex is currently shut down from February 4, 2004 to February 21, 2004 for this reason.

The price of the propane in the ethane/propane mixture is based on import parity prices. The price of the non-propane portion in the mixture is fixed by the Government based on the calorific value of the gas.

Propane

We have access to a storage facility for the import of up to 120,000 mtpa of propane under a ten-year terminalling contract valid until February 2008 with Hindustan Aegis LPG Bottling Company Limited (HALPG), Mumbai.

We import our propane using this facility near the Pir Pau jetty, which is approximately 45 kilometres from Mumbai. We use our own pipeline to transport this propane to the Nagothane complex. We purchase propane pursuant to annual contracts with Saudi Arabian Oil Company. Propane pricing under these contracts is at Saudi Arabian Oil

Company's declared price for a month (called Saudi CP) without either a premium or discount. Propane purchased at spot prices carries a premium or discount. The premium or discount varies from time to time and is negotiated with the seller of the spot propane.

LPG

The cracker at Nagothane can be operated with LPG in the event of any significant disruption in the supply of ethane/propane. While LPG is readily available in the international markets, it gives lower yields of ethylene which makes it more expensive to use. Therefore, we do not normally use it.

Fuel

We have entered into a long-term supply contract with GAIL for 0.6 mmscmd of lean gas for the power plant at Nagothane. The purchase price of lean gas is determined by the Government and is valid for all gas consumers in India. The prices are provisional and can be revised by the Government prospectively as well as retrospectively. The supply contract expired in December 2003, and was extended until March 2004. We are in discussions with GAIL regarding a new long-term supply contract.

Utilities

We have installed three multi-fuel combined cycle gas turbines to provide power to the Nagothane complex. Each turbine has a capacity of 20.7MW. We have an additional steam turbine with a capacity of 25MW. Thus, the total installed power generation capacity is 87MW. We use approximately 0.48 million standard cubic meters per day of lean gas as fuel in the power plant, which is purchased from GAIL as described above. Gas is supplied from Thal (which is approximately 34 kilometres from the complex) and transported to the complex by a dedicated pipeline. We also have power supply approval from the Maharashtra State Electricity Board which we use only as a back up in the case of any shortfall.

The Nagothane complex has the capacity to draw up to approximately 15 million gallons of water per day from the Amba River, approximately seven kilometres from the complex. Water is transported from the Amba River to the complex. The current water requirement at the Nagothane complex is seven to eight million gallons per day.

The energy index measured in terms of energy consumed per tonne of product at the Nagothane complex improved from 6.1 million kcal per metric tonne fiscal 1991 to 3.58 million kcal per metric tonne in fiscal 2003. We have received the following awards for the energy conservation initiatives implemented by us at the Nagothane complex:

- "Award for Excellence in Natural Gas Conservation" for 2003 from the Ministry of Petroleum and Natural Gas, Government of India
- "Certificate of Merit for Energy Conservation" for 2000 from the Ministry of Power, Government of India
- "Energy Conservation Award" for 1999 and 1998 from the Ministry of Power, Government of India

The Gandhar Complex

The Gandhar complex is the third of our three integrated petrochemical complexes. It is located near Jageshwar Village, Bharuch District, Gujarat, approximately 130 kilometres southwest of Vadodara. The site is in the vicinity of the Narmada estuary and about seven kilometres from the Dahej port. The complex has an ethane/propane recovery unit, a gas cracker, a caustic chlorine plant and four downstream plants in operation for the manufacture of polymers and fibre intermediate (MEG). We have approximately 711 hectares of land at the site of the complex, of which the complex occupies approximately 262 hectares. The remaining land is used for green belt, jetty, storm water disposal and residential use.

At the Gandhar complex we have our own facility for separating ethane/propane from rich gas containing recoverable amounts of ethane/propane purchased from GAIL. The lean gas from which the ethane/propane has been extracted is returned to GAIL. The ethane/propane mixture is then used as a feedstock for the gas cracker plant.

The complex was commissioned in two phases in order to rationalise our cash flow and our level of borrowings. The caustic chlorine, VCM and PVC plants in phase one were commissioned in fiscal 1997. After this, in phase two, the HDPE plant was commissioned in fiscal 1999 and the MEG plant, the ethane/propane recovery unit and gas cracker unit were commissioned in fiscal 2000.

The Gandhar complex had 1,375 full time employees as of December 31, 2003.

Plants at the Gandhar complex

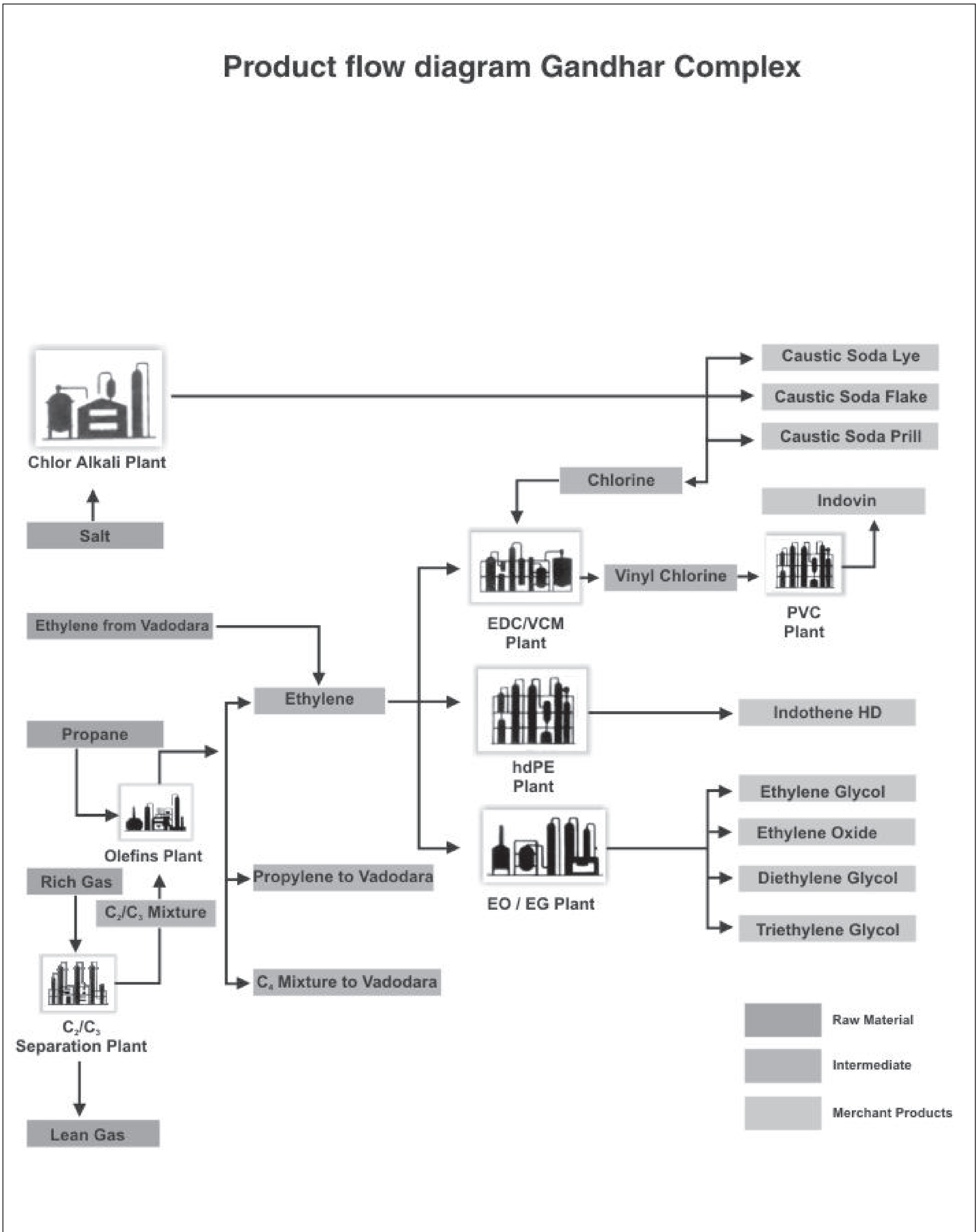
The following are the plants at the Gandhar complex, together with their year of commissioning, principal feedstocks, technology used and production capacity:

Name of Plant	Commissioned in Fiscal Year	Principal Feedstock(s)	Technology Used (1)	Capacity (tpa)
Phase - One				
Poly Vinyl Chloride	1997	VCM	Oxy Vinyls/LP (US)	150,000
Vinyl Chloride Monomer	1997	Ethylene and Chlorine	Suspension Polymerisation/ European Vinyl Corp. (Holdings) Belgium	170,000
Chlor Alkali	1997	Salt	Membrane Process/ Uhde India Ltd. And Uhde GmbH Germany	115,000 (Chlorine) 130,000 (Caustic)
Phase - Two				
Ethane / propane Recovery	2000	Rich Gas	Cryogenic Separation/ KTI - Fish, USA	509,000
Gas Cracker	2000	Ethane / Propane and Propane	Pyroletic racking/ Stone & Webster Engg. Corp. (US)	300,000
High Density Polyethylene	2000	Ethylene	Suspension polymerisation / Hoechst GmbH, Germany (Elenac)	160,000
Ethylene Glycol / Ethylene Oxide	2000	Ethylene	Partial oxidation process / Scientific Design Co. (US)	100,000/ 10,000

Notes:

(1) All technologies are under licence agreements from the named supplier.

The following flow chart presents linkages of raw material, intermediates and finished products for the plants at the Gandhar complex:



Phase one of the Gandhar complex was initiated with the commissioning of caustic chlorine, VCM and PVC plants in fiscal 1997. Phase two was initiated with the commissioning of MEG and HDPE plants in fiscal 1999, and continued with the commissioning of an ethane/propane recovery unit and gas cracker unit in fiscal 2000.

VCM is a raw material for the manufacture of PVC, the input raw materials for which are chlorine and ethylene. Implementation of the chlor alkali plant in phase one made the Gandhar complex independent with respect to chlorine, which is the vital feedstock, and allowed us entry into the caustic soda business with the added benefit of an assured captive outlet for chlorine.

Although the transportation, utilisation and disposal of chlorine is typically a cause for concern for most stand-alone chlor alkali plants, we have the ability to convert chlorine into a high value-added product. We believe this gives us a competitive advantage.

After we decided to defer investment in the gas cracker to phase two, our phase one plants were operated with imported ethylene, as a captive jetty was established to take advantage of coastal transport. A 64.5 MW power plant and utilities plants were set up to meet the requirements of the complex in phase two.

Phase one of the Gandhar complex enjoys sales tax concessions for 16 years starting in January 1997 until January 2013. Under this concession, we pay only a concessional sales tax of 0.25% for all purchases meant for phase one plants. No sales tax is payable on products sold from the phase one plant, which products include PVC, caustic soda, EDC, VCM and chlorine.

We are in the process of developing and implementing a quality management system designed to satisfy the ISO 9001:2000 certification requirements. We expect to shut down the Gandhar complex for approximately fourteen days during fiscal 2005 for regular maintenance.

The following table shows the production and capacity utilisation in respect of each of our products manufactured at the Gandhar complex :

Product	Installed Capacity (tpa)	Year ended March 31,				
		1999	2000	2001	2002	2003
Basic Chemicals						
Ethylene	300,000	0	13,658	146,915	148,813	255,934
(% of capacity)		0%	5%	49%	50%	85%
Propylene	38,000	0	3,774	39,272	41,152	52,645
(% of capacity)		0%	10%	103%	108%	139%
Polymers						
PVC	150,000	140,576	133,800	155,850	173,445	167,755
(% of capacity) 112%			94%	89%	104%	116%
HDPE	160,000	0	66,835	99,249	106,901	117,454
(% of capacity)		0%	42%	62%	67%	73%
Fibres and Fibre Intermediates						
MEG(1)	100,000	0	27,936	99,256	114,365	123,686
(% of capacity)		0%	28%	99%	114%	124%
Chemicals						
Caustic Soda	130,000	111,276	111,558	126,708	138,305	139,326
(% of capacity)		86%	86%	98%	106%	107%
Chlorine	115,000	96,211	96,671	108,499	118,360	119,773
(% of capacity)		84%	84%	94%	103%	104%
Ethylene Oxide	10,000	0	0	473	0	5,355
(% of capacity)		0%	0%	5%	0%	54%

Notes:

(1) Installed capacity of MEG plant is 100,000 mtpa on an equivalent MEG basis. When ethylene oxide is produced, MEG capacity correspondingly decreases.

Plant performance

Gas Cracker

A fire in the gas cracker plant in September 1999 resulted in damage to equipment during commissioning. This resulted in a delay in the commissioning of the plant until February 2000.

The Gandhar complex has two feedstock sources for its supply of semi-rich gas: one from the Gandhar gas fields, approximately 35 kilometres away; and the second from Hazira, approximately 98 kilometres away.

Initially, the Gandhar complex was allocated 8.0 mmscmd of semi-rich gas from the Gandhar gas fields of ONGC. Due to the depletion of gas reserves in the gas fields, 5 to 6 mmscmd of semi-rich was allocated from ONGC's LPG recovery plant at Hazira. The quality of gas from the Gandhar fields has also deteriorated after GAIL started recovering LPG from the gas.

As a result of the reduced allocation of gas by GAIL from both Gandhar and Hazira, our ethane/propane recovery unit was not operated at its full capacity of 9.0 mmscmd. During a short-period in July 2002, gas supply peaked at 8.5 mmscmd. At present, the available gas ranges from 6.8 to 7.0 mmscmd, which has resulted in a sub-optimal utilisation of our ethane/propane recovery plant.

Since the ethane/propane recovery unit could not produce the required quantity of cracker feedstock, we have had to import propane to make up for the feedstock shortage at the complex. The high price of propane has restricted us from sourcing sufficient quantities of propane feedstock. Therefore, the capacity utilisation of the ethane/propane recovery unit and consequently the gas cracker plant has remained low. This has resulted in lower than rated capacity utilisation in ethylene production.

Propylene, however, is produced at or above the rated capacity, because propane generates a higher yield of propylene than ethane and any shortfall in feed is made up through imports of propane. Propylene is transported to Vadodara through a pipeline to support the polypropylene IV plant at the Vadodara complex.

Polymers

PVC and HDPE are the key polymer products that we manufacture at the Gandhar complex.

We have a VCM plant for supplying monomers to manufacture PVC. The VCM plant is prone to corrosion and resultant breakdowns. Hence, in the initial years of operation, we faced teething problems resulting in a shortage of feed to the PVC plant. In fiscal 1999 and 2000, our utilisation was lower than plant capacity. However, we have successfully brought the VCM plant breakdowns under control and the frequency of breakdowns has decreased in recent years. The PVC plant has been operating above the rated capacity since fiscal 2001. Plant utilisation has also benefited from the import of VCM.

The HDPE plant is an example of the need to adapt to changes in market preferences. When the plant was conceived, the market preference was for raffia grade HDPE and therefore we usually selected raffia grade as the grade slate for the plant. Subsequently, the raffia markets moved away from HDPE and shifted to PP raffia. Plant productivity depends on the selected grade. Since the manufacturing of other HDPE grades lowers plant productivity considerably, we made certain plant modifications and process changes and now offer niche pipe and film grades of HDPE.

To address the ethylene constraints faced by the Gandhar complex, ethylene allocation is made to products having relatively higher operating margins. This has been one of the key reasons for lower capacity utilisation of our HDPE plant, besides some of the teething problems and shutdowns that were required to adapt the plant to shifting market preferences.

Fibre Intermediates

The MEG plant was commissioned in September 1999. Constraints in ethylene availability resulted in lower capacity utilisation in fiscal 2000 and 2001.

Chemicals

Most of our ethylene oxide customers are located closer to Vadodara and Nagothane than to Gandhar. Ethylene oxide has to be stored under refrigeration and transported in special insulated vans to maintain its temperature until delivery. Given these logistical constraints, most of our ethylene oxide is currently being provided by the other two complexes, and thus Gandhar capacity utilisation is below rated capacities.

Capacity utilisation of the caustic soda plant depends on the VCM plant. Since the VCM plant produced at lower than rated capacity in fiscal 1999 and 2000, the production of caustic soda was also correspondingly lower in these periods. In addition, certain problems relating to power shortages and breakdowns led to lower capacity utilisation in Gandhar. However, the plant has been producing above rated capacity since fiscal 2001. Chlorine produced by Gandhar is used for captive consumption.

Raw material, fuel linkages and key suppliers

Certain details on key suppliers of raw materials and fuels are provided in the following table:

Plant	Key Material	Consumption	Key Suppliers	Pricing Terms
Gas Cracker	Semi-Rich Gas	7.5 mmscmd	GAIL (Hazira / Gandhar)	Government Notified
	Propane	300,000 tpa	Saudi Arabian Oil Company	Declared Monthly
VCM, HDPE	Ethylene	10,000 tpa	Sabic/ PCC	Spot
Captive Power Plant	Fuel Grade Naphtha (FGN)	245,000 tpa	RIL (Jamnagar)	Import Parity

Semi-Rich Gas

We have obtained an allocation of semi-rich gas from the Government of a quantity adequate to supply the Gandhar cracker unit. We source about 9 mmscmd from GAIL via ONGC's gas fields at Gandhar and Hazira in Gujarat. The supplies are provided pursuant to two separate contracts: 3 to 4 mmscmd from the Gandhar gas fields, valid until December 2004, extendable by ten years, and 5 to 6 mmscmd from Hazira, valid until March 2007, extendable by ten years. Pricing of semi-rich gas is as per Government of India notification. All gas supplied to us by GAIL (including lean gas) is provisionally priced.

Propane

Propane used at Gandhar is supplied by the Saudi Arabian Oil Company on the same terms as described above for Nagothane.

Ethylene

Our ethylene supply requirements at Gandhar are met most of the time by ethylene production at Gandhar. When we do require an outside ethylene supply, we purchase it on the spot market from Saudi Arabia, Basic Industry Corp. and Petroleum Chemical Commercial Company.

We import propane through the facilities of our joint venture, the Gujarat Chemical Port Terminal Company Ltd ("GCPTCL"). GCPTCL has the ability to berth ships up to a capacity of 40,000 DWT and has equipment and facilities to handle and store hydrocarbon liquids and liquefied gases under cryogenic temperatures. The Gandhar complex also has a captive jetty to berth small ships and barges. We use these facilities to handle our naphtha requirement for fuel at the Gandhar complex and feedstock at Vadodara. In addition, we use the cryogenic storage facility at GCPTCL to import and handle propane.

Fuel

Fuel grade naphtha is supplied from RIL's refinery at Jamnagar at import parity prices. The supply contract is valid until June 2007. Depending on our requirements, we can also access the international market.

Utilities

We have one gas turbine with 30 MW capacity and two gas turbines, with 45 MW capacity each for captive power generation to service the Gandhar complex. Additionally, we have a steam turbine able to generate 34.5 MW. Our current power requirement is approximately 118 MW. Additionally, for back-up supply, we have approval to draw power from the GEB to meet any shortfalls.

The Gandhar complex has a total capacity to draw of 22 million gallons of water per day. The current requirement is approximately nine million gallons of water per day, which is transported by pipeline from the Narmada river basin, located approximately 68 kilometres from the complex.

The energy index, measured in terms of energy consumed per tonne of product, at the Gandhar complex decreased from 4.67 million kcal per tonne of production in fiscal 1999 to 3.2 million kcal per tonne of production in fiscal 2003.

Catalyst and Adsorbent Unit

In 1987, we acquired CATAD from Associated Cement Companies Limited. CATAD is located at Thane in the state of Maharashtra. We are in the process of moving it to and integrating it with our Nagothane complex. CATAD produces catalysts for processes such as reforming isomerisation and dehydrogenation, as well as adsorbents such as activated alumina and molecular sieves. These catalysts and adsorbents are used in our own petrochemical manufacturing plants and are also sold to other Indian oil refineries and petrochemical companies. The CATAD acquisition provided us with a platform to integrate CATAD's expertise in catalysts and adsorbents with our own research capabilities. CATAD, along with our other research and development facilities, has worked in areas such as monometallic and bimetallic reforming catalysts for aromatics production, octane enhancement of gasoline and special molecular sieves for oxygen production. CATAD has also developed paraffin dehydrogenation catalysts for commercial use.

During the past three fiscal years, sales of catalysts and adsorbents produced by CATAD have not contributed significantly to our total revenues. We therefore decided to stop production of activated alumina and molecular sieves and focus CATAD's capabilities on areas with commercial potential, such as dehydrogenation catalysts, which we and RIL use in our business, and which also have domestic and export markets. The current domestic demand for dehydrogenation catalysts is 50 tpa, and current domestic capacity is approximately 16 tpa. As part of relocating CATAD to Nagothane, we are planning to install production capacity for paraffin dehydrogenation catalysts at Nagothane of 60 tpa.

Health, Safety and Environment

We are committed to achieving "best practices" for health and safety as well as for environmental standards and have established detailed policies and procedures to address health, safety and environmental risks.

Health and Safety

We conduct training programmes for our employees, transporters and contractors, to educate them on the occupational hazards that are inherent in our business and instruct them on how to handle processes and products in a safe manner. We have also prepared safety data sheets for the materials handled in our operations and have made them available in our working areas, along with safety manuals and work instructions.

We have annual safety plans for our three complexes and conduct periodic internal and third party safety audits. Our senior executives are involved in our frequent "Safety Training Observation Programme" audits. These audit programmes are aimed at improving safety culture and behaviour through one-to-one talks by senior executives with shop floor employees, identifying safety training needs and developing safety responsibility in employees on and off the job. In December 2002, we had a chlorine leak at the Gandhar complex which caused minor ailments in some individuals in the neighbouring village. We had our chlorine plant examined by the process licensor, UHDE. The design of the plant was found to be adequate for safety purposes. We then invited an association of European chlorine manufacturers, EUROCHLOR, which is headquartered in Brussels, Belgium, and assists the industry by providing advice with respect to internal safety standards and recommending improvements in safety and manufacturing processes. EUROCHLOR examined our chlorine manufacturing and handling processes and concluded that it was not likely that nitrogen chloride, a hazardous material, would result from the design of our plants. The association did make recommendations with respect to preventing the mixing of ammonia gas with chlorine gas in the case of a leak. We are taking steps to implement the recommendations.

We start our weekly production management reviews with a review of any health and safety issues encountered during the previous week. We and RIL review the health and safety procedures at our manufacturing facilities on a monthly basis and evaluate them against benchmarks. Whenever we propose any modification to plant and equipment, an in-house multidisciplinary committee conducts a hazards and operability study on the proposed modifications. The modifications are implemented after incorporating the recommendations of the committee. We also carry out risk assessment studies to identify and cover the risks involved in the storage of hazardous and flammable materials.

We have formulated disaster management plans for our manufacturing facilities and conduct periodic mock drills with the involvement of civic authorities and the neighbouring population. The objective of these drills is to improve our readiness, response and coordination to most effectively manage disasters.

We have medical units at our complexes, which are staffed around the clock with qualified medical professionals. Our medical professionals have been trained to respond to emergencies and other medical risks that are inherent in our business and to be familiar with the specific skills and treatments required to treat injuries resulting from our production processes and the various chemicals and other products we produce and use. Our employees are also educated on occupational health hazards and trained to use protective equipment. We subject all employees to periodic medical check ups.

We are subject to various laws which require licences for the storage of flammable and explosive substances, the testing of pressure vessels, lifting tools and tackles and the use and operation of boilers. We believe we comply with these laws in all material respects. We also regularly file factory returns required under the Factories Act, 1948.

We have received international and national awards for our safety practices from organisations such as the British Safety Council, the US National Safety Council, the Government of India's Department of Labour, the Government of Gujarat and the Gujarat Safety Council.

Environment

We are subject to extensive national and local environmental laws and regulations, including those that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. The main statutes in this regard are the Environmental Protection Act 1986, the Water (Prevention and Control of Pollution) Act 1974, the Water (Prevention and Control of Pollution) Cess Act 1977, the Air (Prevention and Control of Pollution) Act 1981 and the Public Liability Insurance Act 1992. We are also subject to extensive regulation by the Government's Ministry of Environment and Forests and the pollution control boards of both Gujarat and Maharashtra.

Our environmental policies and activities are intended to minimise air and water pollution, noise pollution and disposal of gas, liquid and solid wastes. We have established effluent treatment facilities, ambient air monitoring stations and secured landfill facilities for the management of hazardous wastes at Vadodara and Gandhar. Nagothane does not generate significant quantities of hazardous solid waste and has an arrangement with an external party for its disposal. We have a multi-purpose solid waste incinerator for hazardous wastes at Vadodara. Our internally generated waste gases having fuel value are utilised as fuel to the extent recoverable and the remaining are safely burnt in a flare stack.

Our research and development activities also focus on treating toxic effluent within statutorily acceptable limits. We have commissioned microbial and physico-chemical degradation plants for the treatment of our cyanide bearing effluents based on our in-house research. Our scientists have developed a pilot-scale fluoride removal process for treatment of fluoride bearing effluents.

Our new projects are subject to environmental impact assessments by professional bodies and public hearings and require environmental approvals from statutory bodies. We have implemented an environmental rating system called "Green Card" at the Vadodara complex, which rates the environmental performance of the various plants in the complex to encourage competition among the various plants to achieve better ratings by improving their environmental performance. We are in the process of adopting this system at the Nagothane and Gandhar complexes as well. Our recently implemented "Performance Management System", which evaluates the overall performance of our personnel and their achievement of performance targets, also emphasises their performance on health, safety and environmental aspects.

Our Vadodara and Nagothane complexes were certified by Det Norske Veritas (DNV), a Norwegian firm accredited by International Organisation for Standards (ISO), as meeting ISO 14001:1996 international specifications for environmental management systems in December 1999 and October 2000, respectively. Recertification is required every three years, and accordingly the Vadodara complex was recertified in July 2002. The Nagothane complex has undergone a recertification audit and DNV has recommended recertification. Our Gandhar complex is in the process of developing and implementing environmental management systems in accordance with these international specifications.

We have received a number of international and national awards for our environmental practices from various national and international organisations, such as an award from the Indo-German Greentech Foundation and the Indira Gandhi Memorial Award.

Research and Development

Our research centre is located at Vadodara. We have approximately 200 full time employees working at the centre, and our research and development expenditure in fiscal 2003 was approximately Rs. 95.3 million. We develop new processes and modify existing processes in order to improve manufacturing efficiencies and reduce costs. For example, in the manufacture of polymers we are required to use additives in very small quantities, to impart required performance properties to the product. These additives are highly specialised and expensive. Hence it is important to determine precisely the right proportion of these additives that are sufficient to impart the required properties. One of our current research initiatives is to determine this minimum required proportion. This study is expected to reduce the cost of production of various polyolefins.

Our research and development activities can be classified under four categories:

- The development of competitive technologies in emerging areas of our business, such as for linear alpha olefins and gas separation.
- Major plant and market support programmes focused on technology upgrades.
- Customer-oriented product development, such as new grades of polymers, based on customer requirements.
- Other basic and applied research with a view to developing competitive technologies, products and processes.

All projects are conducted either in-house or through collaborations with national and international research laboratories. Our key projects are in the areas of polymers, fibres, catalysts and adsorbents, specialty chemicals, intermediates, environment management and pollution control. In the field of polymers, the focus of our research is on polymer synthesis, polymer modification, alloys, blends and composites. We have successfully developed and commercialised catalysts for the hydrocarbon processing industry for reforming, isomerisation and dehydrogenation. These catalysts are used by us in our plants and are also sold in the domestic market. The dehydrogenation catalysts we have developed also have an export market. We believe that we have considerable strength in developing and evaluating molecular sieves and adsorbents. While this business is characterised by low profit margins, we have used our experience in this area in other fields with commercial potential, for example developing carriers for catalysts and manufacturing sieves for gas drying and other separation processes.

We have obtained a patent, in collaboration with the Korea Institute of Energy Research in South Korea, for a new adsorptive process for light hydrocarbon separation. We believe that this process has the potential to be used for the separation of ethylene and propylene from gas streams that have a low content of these components. We have also successfully developed and transferred the process know-how for the methylation of toluene to GTC Corporation in the US.

We have also introduced a new catalyst formulation for the dehydrogenation of normal paraffins to mono-olefins, the primary raw material for the manufacture of LAB.

We seek to protect our intellectual property rights by obtaining patents in India and other countries. As of December 31, 2003, we had been granted 47 patents in India and 21 patents in the US, Europe, Japan and South Korea. These include, among others, patents on the development of a process for the manufacture of alpha olefins, which are a class of chemicals that find diverse applications in the petrochemicals industry.

Research and development achievements

The following products of our research and development efforts are currently in commercial use:

- Catalysts for dehydrogenation of long chain normal paraffins
- Mono and bi-metallic naphtha reforming catalysts for refineries and petrochemicals
- Xylofining catalyst and process for isomerisation of xylenes
- Catalyst and process for production of para diethylbenzene
- Catalyst and process for selective conversion of toluene to paraxylene
- Adsorbent and process for production of medical grade oxygen
- Improved grades of molecular sieves for cracked gas drying and industrial drying and purification
- Production of solvent grade hexane
- Microbial treatment of cyanide containing wastewater streams
- Optimised additives packages for various polyolefins
- Production of food grade hexane
- Polymeric composite for automobile applications

Research and development recognition

We have received a number of awards in recognition of our research and development achievements, including:

- Hari Om Ashram award for Excellence in Research (2001)
- Department of Scientific and Industrial Research, Government of India, national award for R&D Efforts in Industry for the development and commercialisation of catalyst for dehydrogenation of normal paraffins (1998)
- Indian Institute of Chemical Engineers award for excellence in process/product development in the area of technology development for para diethylbenzene (1998)
- Federation of Gujarat Industries award for Excellence in Science and Technology for the development and commercialisation of a process for destruction of cyanide from waste water (1996)
- Department of Scientific and Industrial Research, Government of India, national award and Federation of Gujarat Mills and Industries award for development of naphtha reforming catalysts for gasoline and aromatics production (1993)
- Director General of Trade and Development, Government of India, national award for achievement in technology development for Biotechnological process for disposal of hazardous acrylonitrile plant wastewater (1991-92)
- Vasvik Industrial Research award for developing process for production of acrylamide (1988)
- Indian Chemical Manufacturers Association award for development and commercialisation of xylofining process (1985)

Information Technology

We implemented SAP, an enterprise resource planning system, in 2003. SAP is intended to facilitate the end-to-end integration of all our business functions, from the sourcing of feedstocks and materials to production, maintenance, distribution and warehousing, sales and marketing, and financial and accounting management. The implementation of SAP has enabled us to make our business processes and practices more uniform across our Company. It has also increased the speed and accuracy of our internal decision making processes.

In order to facilitate our SAP processes and our electronic communications, we have developed an integrated campus area network to more fully integrate all the functional areas within our complexes. We also have a country-wide optical fibre cable network provided by Reliance Infocomm Limited to connect our operations and a wide area network that connects us to other companies in the Reliance Group. In addition, our regional offices and warehouses are integrated with our wide area network through a dedicated landline as well as satellite communication facilities.

Employees

As of December 31, 2003, we had 11,292 full time employees. Of these, 2,246 were supervisory employees. Of the 9,046 non-supervisory employees, 5,059 were skilled, 360 were semi-skilled and 3,627 were unskilled.

We launched a voluntary retirement scheme in May 2003 for employees who had attained 40 years of age and completed 10 years of service as a regular employee and whose illness or disability was affecting performance of duties. This scheme was offered to all employees of our Company.

We also offered a voluntary retirement scheme in July 2003 to the employees of our CATAD division with a view to discontinuing the manufacturing of certain products at this division and redeploying the remaining employees.

The foregoing schemes helped reduce our total manpower by 13% since June 1, 2003 and involved a total cost of approximately Rs. 1,645 million. Approximately 1,800 employees opted for the two voluntary retirement schemes.

We seek to improve employee productivity through continuing education, training and secondment and by emphasising the importance of quality of service and customer satisfaction. Traditionally, our employees perform jobs pertaining to their respective trade. However, some simple jobs traditionally performed by employees in one trade can also be performed by those belonging to another trade. For example, simple laboratory analysis and hose connections can be done by plant operators, although these tasks are traditionally performed by quality control chemists and maintenance personnel, respectively. We encourage our employees to develop skills of other trades in addition to their own trade. We are in the process of introducing this concept of multi-tasking in a phased manner at our Gandhar complex and intend to eventually cover employees in our other two complexes. We have introduced a performance management system for our employees where they will be evaluated on the basis of objective and measurable targets. Over a period of time, we may link compensation to performance. We have also developed a skills-upgrading plan and have started training some unskilled employees.

Most of our non-supervisory employees are members of registered trade unions. Vadodara has three unions, Nagothane has four unions, Gandhar has two unions and CATAD has one union. We concluded collective bargaining agreements with our employee unions in 2001 and reached a wage agreement which took effect retroactively from January 1, 1997 for a ten-year period ending December 31, 2006. All our unions are party to this settlement. Besides wage settlement, our management and the unions came to an agreement on several other aspects of employee management. The settlement includes agreement on a nearly 12% reduction in duty posts, as well as a minimum operating strength concept, which entails the operation of any shift with fewer personnel than the approved duty post. It has also been agreed that no overtime is required to be paid until the agreed minimum operating strength is available.

We believe that we have a good relationship with our employees. We have not faced any labour unrest resulting in the loss of production during the past five years.

Legal Proceedings

We are currently not involved in any material litigation, legal proceedings or governmental proceedings, except as described below.

The Company is currently disputing claims by the Indian customs and excise authorities against the Company regarding the classification of certain raw materials and residual products for excise duty purposes and MODVAT credit on certain raw materials. The aggregate amount claimed was Rs. 3,316 million. The Company is also involved in a number of disputes with various construction contractors for its facilities, the largest of which involves an aggregate claim of Rs. 470 million.

The Indian income tax authorities are disputing the Company's position with respect to interest expense on loans, amounting to Rs. 1,211.40 million, used to finance new construction for the fiscal 1992 to 1994. Interest expense on loans used to finance new construction is capitalised for financial statement purposes but deducted when paid for Indian income tax purposes. The Indian income tax authorities have taken the position that the Company should capitalise such interest for tax purposes as well. The Company has appealed the decision.

For further details see "Outstanding Litigation and Material Developments" on page 185 of this Preliminary Sale Document.

Insurance

The nature of our industry is such that it involves the storage, processing and transportation of a variety of petrochemical products, including highly flammable and explosive materials. Our operations are subject to the usual hazards associated with using, storing, transporting and disposing of such materials.

We have a comprehensive insurance policy that covers all plant and machinery and other assets at the three complexes for risks of physical loss or damage including fire, earthquake and floods, and for losses arising out of breakdown of machinery. The policy also covers loss of profit arising out of any business interruption due to the above reasons. We maintain insurance policies to cover our other assets, at different locations. We have a sabotage and terrorism policy that protects us against liabilities arising due to such acts, up to a maximum of Rs. 10,000 million. As per regulatory requirements we have a public liability insurance that indemnifies us against statutory liability, up to certain limits, including Rs. 50 million per accident and an aggregate cap of Rs. 150 million during the policy period, arising out of any accidents occurring due to handling hazardous substances. To cover liability beyond the above statutory norms, we have taken additional insurance against legal liability, other than that covered above. The limit for any one accident is Rs. 3,000 million and the aggregate for the period of policy is also Rs. 3,000 million.

In fiscal 2003, the aggregate premiums for our insurance policies were Rs. 411 million. We believe that our insurance coverage is sufficient to cover all normal risks associated with our operations and is in accordance with industry standards in India.

Joint Ventures

Gujarat Chemical Port Terminal Company Limited

In September 2000, we entered into the GCPTCL joint venture along with several companies controlled by the Gujarat government. As of December 31, 2003 we had invested Rs. 844 million in GCPTCL's equity. Equity shares worth Rs. 100 million are yet to be allotted to us. This gives us an ownership interest of 41.8% in the company, the highest among all the shareholders. GCPTCL has a port terminal in Dahej with a modern liquid cargo handling jetty and a storage facility and has the capacity to handle 1.7 million tpa of cryogenic as well as non-cryogenic cargo. In fiscal 2003, the port handled 0.816 million tonnes of liquid cargo. The GCPTCL jetty is located close to our Gandhar complex, which uses it for the supply, unloading and storage of feedstock, such as propane and naphtha, for our complexes in Gandhar and Vadodara.

However, neither we nor certain other shareholders have yet been allotted shares representing our entire equity contribution made to GCPTCL. We are yet to be allotted shares representing Rs. 100 million of our Rs. 844 million investment. Once we and the other shareholders are allotted these shares, are interests in GCPTCL will decline to 37%

We have also guaranteed certain obligations of GCPTCL to ICICI Bank, pursuant to which ICICI Bank has claimed Rs. 241 million from us. For further information, see “Risk Factors as Perceived by the Company” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 14 and page 120, respectively, of this Preliminary Sale Document.

Indian Vaccines Corporation Limited

In February 1989, when we were still a public sector undertaking, the Government instructed us to enter into a joint venture with the Government’s Department of Biotechnology and Pasteur Merieux Serums and Vaccines (“PMSV”), a French organisation to establish commercial operations for producing injectable polio vaccines and other vaccines in India. The project did not proceed beyond its preliminary stages because the Government decided to use oral rather than injectable polio vaccines in its national immunisation programme. Since then, several efforts have been made to see whether the joint venture could be used to produce other types of vaccines. These efforts were unsuccessful and PMSV withdrew from the joint venture in 1998 by transferring its interest in the joint venture to the Government.

As a part of its initiatives in the biotechnology business, the Reliance Group has established a company called Reliance Life Sciences Private Limited to develop business opportunities in the domains of medical, plant and industrial biotechnology. In view of the interest and involvement of the Reliance Group in the biotechnology business, we undertook a review of our Company’s involvement in IVCOL and decided to utilise IVCOL’s facilities for a biotechnology project with Reliance Life Sciences Private Limited.

In order to implement a biopharmaceuticals project at the IVCOL site in co-operation with Reliance Life Sciences Private Limited in an effective manner, in October 2002 we requested the Government transfer the joint venture interest it acquired from PMSV to us for Rs. 12.21 million, which is the price the Government paid to PMSV. We have also asked the Government to transfer management control of IVCOL to us. Subject to Government approval, a new shareholder’s agreement has been proposed with the Government’s Department of Biotechnology, enabling our Company to effectively manage the affairs of IVCOL. Our original investment in IVCOL was Rs. 62.6 million as equity. We also made an unsecured loan of Rs.19 million to IVCOL. The loan remains outstanding.

Effluent Channel Project Limited

The ECPL project was conceived by the Government of Gujarat in the late 1970s and was developed and constructed by GIDC to provide treated effluent disposal facilities through an effluent channel to several industrial units in the Nandesari and Umaraya areas in Gujarat. The channel has the capacity to discharge an average of 32 million gallons of effluent per day with a peak capacity of 48 million gallons per day. Our committed quantity of effluent for the channel is 6.5 million gallons per day.

ECPL was commissioned in 1983 and was operated by GIDC until 1999 when it became a separate company in which the member industries have so far invested Rs. 137 million. We have made no equity investment in ECPL, but have advanced Rs. 43.22 million towards project expenditures. The members of ECPL are required to pay annual maintenance charges based on their committed quantity of effluent. Our share is Rs. 6.9 million per year.

Indian Petrovin Limited

Pursuant to the joint venture agreement dated March 19, 1997 between our Company and Vinmar Petrochemicals Limited, Indian Petrovin Limited was incorporated in Ahmedabad on September 16, 1997. We were to hold 26% of the total issued and paid-up capital of Indian Petrovin Limited. We have not to date invested any amount towards the equity share capital of Indian Petrovin Limited. We decided in 1999 to wind up Indian Petrovin Limited and proceedings in that regard have been initiated.

Infrastructure

Plant Property

We have properties at Vadodara, Gandhar, Nagothane and Thane (Mumbai) for the purposes of our manufacturing facilities. These properties are held either on a freehold or a leasehold basis. There are certain properties, including plant properties, situated at Vadodara and Gandhar, which have been allotted to us by GIDC, and for which lease deeds have not yet been executed. We have allotment letters/possession receipts issued by GIDC in our favour in respect of these properties. Disputes are pending in relation to these properties. For further information, see "Outstanding Litigation and Material Developments" on page 185 of this Preliminary Sale Document.

Office and Warehouse Property

Our registered office is located at P.O. Petrochemicals, Vadodara 391346, Gujarat. We have five regional offices, 11 sales offices and one liaison office. We also have warehouses located across India. There is a dispute in relation to our office at the Air India Building, Nariman Point, Mumbai, which had been acquired on lease. For further information, see "Outstanding Litigation and Material Developments" on page 185 of this Preliminary Sale Document.

Township and Residential Property

We have township properties at Vadodara, Gandhar and Nagothane. We also have properties for the purposes of residence and transit accommodation at our regional and sales offices.

The details of our properties earmarked for plant purposes are as set forth below:

Location		**Leasehold/ Freehold**
Vadodara Complex		
1.	Land at Dhanora, Koyali, and Karechiya taluka, District Baroda, Baroda	Freehold
2.	Land at Village Angadh, Baroda	Freehold
3.	Land at Village Angadh	Freehold
4.	Land at Village Angadh	Freehold
5.	Land at Village Angadh	Freehold
6.	Land at Village Angadh	Freehold
7.	Land at Village Angadh	Freehold
8.	Land at Village Angadh	Freehold
9.	Village Angadh, Vadodara	Freehold
10.	Koyali, Karachia, Dhanora and Ranoli forming part of village Jawaharnagar in Vadodara District.	Leasehold (99 year lease)
11.	Ranoli, Vadodara	Leasehold (99 year lease)
12.	Ranoli, Vadodara	Leasehold (99 year lease)
13.	Ranoli and Karachia, Vadodara	Leasehold (99 year lease)
14.	Ranoli, Dhanora and Karachia, Vadodara	Leasehold (99 year lease)
15.	Karachi, Koyali and Ranoli, Vadodara	Leasehold (99 year lease)
16.	Ranoli and Dhanora, Vadodara	Leasehold (99 year lease)
17.	Ranoli, Vadodara	Leasehold (99 year lease)
18.	Koyali, Vadodara,	Leasehold (99 year lease)
19.	Koyali, Ranoli, Karchia and Dhanora, Vadodara	Leasehold (99 year lease)
20.	Koyali, Ranoli, Karchia, Vadodara	Leasehold (99 year lease)

Location	Leasehold/ Freehold
21. Ranoli, Vadodara	Leasehold (99 year lease)
22. Ranoli, Vadodara	Leasehold (99 year lease)
23. Koyali, Vadodara	Leasehold (99 year lease)
24. Village Khandi and Jalampur, Savali Taluka, Distt Vadodara	Leasehold (99 year lease)
25. Vadodara	Leasehold, but lease deed yet to be executed
26. Ranoli, Baroda	Leasehold, but lease deed yet to be executed
27 Dhanora, Baroda	Leasehold, but lease deed yet to be executed
28. Vadodara	Leasehold, but lease deed yet to be executed
29. Dhanora and Ranoli, Vadodara	Leasehold, but lease deed yet to be executed
30. Undera, Vadodara	Leasehold, but lease deed yet to be executed
31. Dhanora, Baroda	Leasehold, but lease deed yet to be executed
Gandhar Complex	
1. Villages Jageshwar, Ambheta, Lakhigam, Luvara, and Dahej, Bharuch	Leasehold, but lease deed yet to be executed
2. Dahej, Bharuch	Leasehold, but lease deed yet to be executed
Nagothane Complex	
1. District Raigad, Nagothane Industrial Area, Nagothane	Leasehold
CATAD	
1. Navi Mumbai, Maharashtra	Leasehold

OUR HISTORY

Our Company was incorporated on March 22, 1969 under the Companies Act, 1956 as a public sector company, with the objective of setting up a petrochemicals company and developing the petrochemicals market in India. In March 1992, our equity shares were listed on the Vadodara stock exchange, and subsequently our equity shares were listed on several other major stock exchanges in India. In June 2002, the Government, as part of its programme of disinvestments of India's public sector undertakings, disinvested 26% of its equity shares in our Company to RPiL, a member of the Reliance Group, through a competitive bidding process. Following its acquisition of our equity shares from the Government, RPiL made a mandatory open offer to our shareholders and acquired an additional 20% of our equity shares.

Main Objects of the Company

1. The main objects for which our Company is incorporated are to carry on in India or elsewhere the business of processing, converting, producing, manufacturing, formulating, using, buying acquiring, importing, storing, packaging, selling, transporting, distributing, exporting and disposing:

   a) All organic and inorganic chemicals, synthetic chemicals derived from petroleum hydrocarbon elements, chemical compounds and products of any nature and kind whatsoever including by-products, derivatives and mixtures thereof.

   b) Special types of petroleum and petroleum products, including specifically refinery gases, reformer gases, naphtha, reformat, special middle distillate fractions, residual fuel oil and slack wax.

   c) All petrochemicals, building-blocks and derivatives thereof, whether liquid, solid or gaseous and including specifically benzene, toulene, ortho xylene, meta xylene, para xylene, ethyl benzene, ethylene, propylene, propane, ethane, butanes, butenes, butadiene, isoprene, oxides, glycols and polyglycols of ethylene, propylene and butylene, chlorinated hydrocarbons, aliphatic and aromatic alcohols, aldehydes, ketones, acids, aromatic acid anhydrides, vinyl acetate, vinyl chloride, acrylics, esthers of ortho, meta and terephthalic acids.

   d) Polymers, elastomers and resins of all types, grades and co-polymer formulations and in all forms such as powder, flakes, granules, films, sheets, tubes, pipes, fibres, laminates or as processed goods and including specifically polyethylene, polypropylene, polystyrene, polyvinyl chloride, polyvinyl acetate, poly methyl methacrylate, epoxy resins, alkyd resins, melamine, polycarbonate, polyamides, polyacrylonitrile, polyesters such as polyethylene-terephthalate and polyethylene-isophthalate.

   e) Polymer processing chemicals of all types and for all purposes and including specifically plasticisers, fillers, anti-oxidants, retarders, and colouring chemicals.

   f) Elastomers, reclaimed rubber and synthetic rubber of all types, grades, forms and co-polymer formulations, including specifically poly-butadiene, polyisoprene, butyl rubber, nitrile rubber, EP rubber and speciality rubbers and including rubber processing chemicals such as accelerators, anti-oxidants, retarders and fillers, synthetic rubber coated and laminated articles.

   g) Synthetic fibres and fibre intermediates of all types, grades and formulations and including specifically polyester fibres, polyacyrlonitrile, polyvinyl acetate, polypropylene, nylon and rayon.

   h) Solvents of all types, grades and formulations, essences, flavours perfumery, materials, surface coatings and lacquers.

   i) Synthetic detergents and detergent intermediates of all types and surface active agents and including specifically dodecyl benzene, propylene tetramer and biodegradable detergents.

   j) Pesticides, micronutrients and related intermediates of all types and formulations including specifically insecticides, pesticides, weedicides, rodenticides and fungicides.

   k) Refrigerants of all types.

Our activities are carried out and in the past have been carried out in accordance with the objects as specified in our Memorandum of Association.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Shareholder Approval	Changes
April 13, 1973	The authorised capital of the Company was increased from Rs. 300,000,000 divided into 300,000 equity shares of Rs. 1,000 each to Rs. 600,000,000 divided into 600,000 equity shares of Rs. 1,000 each
September 13, 1974	The authorised capital of the Company was increased from Rs. 600,000,000 divided into 600,000 equity shares of Rs. 1,000 each to Rs. 1,000,000,000 divided into 1,000,000 equity shares of Rs. 1,000 each
June 3, 1975	The authorised capital of the Company was increased from Rs. 1,000,000,000 divided into 1,000,000 equity shares of Rs. 1,000 each to Rs. 2,000,000,000 divided into 2,000,000 equity shares of Rs. 1,000 each
December 26, 1991	The authorised capital of the Company was increased from Rs. 2,000,000,000 divided into 2,000,000 equity shares of Rs. 1,000 each to Rs. 4,000,000,000 divided into 400,000,000 equity shares of Rs. 10 each
September 29, 1998	The authorised capital of the Company was increased from Rs. 4,000,000,000 divided into 400,000,000 equity shares of Rs. 10 each to Rs. 5,000,000,000 divided into 400,000,000 equity shares of Rs. 10 and 100,000,000 preference shares of Rs. 10 each
September 27, 2002	The authorised capital of the Company was increased from Rs. 5,000,000,000 divided into 400,000,000 equity shares of Rs. 10 and 100,000,000 preference shares of Rs. 10 each to Rs. 8,000,000,000 divided into 400,000,000 equity shares of Rs. 10 and 400,000,000 non-convertible redeemable preference shares of Rs. 10 each

The details of the capital raised by our Company are given in the section "Capital Structure" on page 67 of this Preliminary Sale Document.

Key Events

Year	Key Events, Milestones and Achievements
1969	Incorporated as Indian Petrochemicals Corporation Limited, a Government of India undertaking
1970	Construction of our first petrochemicals complex commenced at Vadodara, Gujarat
1973	Commenced commercial operation at Vadodara
1979	Commissioning of the first naphtha cracker at Vadodara
1987	Acquisition of CATAD from the Associated Cement Companies Limited
1992	Listed on the Vadodara stock exchange
1992	Second petrochemicals complex commissioned at Nagothane, Maharashtra
1996	Third petrochemicals complex commissioned at Gandhar, Gujarat
2000	Entered into Joint Venture agreement for implementing GCPTCL
2000	Completion of the second phase of the Gandhar complex
2002	Government of India disinvested 26% of our equity share capital to the Strategic Partner
2004	Amendment Agreement between the Government and the Strategic Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated financial statements for the fiscal years ended March 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended December 31, 2002 and 2003, including the notes thereto, which appear elsewhere in this Preliminary Sale Document. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and have been restated as described in the Auditor's Report of Deloitte Haskins & Sells dated February 10, 2004, which is included in this Preliminary Sale Document. Indian GAAP differs in certain significant respects from US GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and US GAAP" on page 260 of this Preliminary Sale Document.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve month period ended March 31 of that year. The nine month periods ended December 31, 2002 and 2003 are referred to in this discussion as "nine month period of fiscal 2003" and "nine month period of fiscal 2004", respectively. The term "income" as used in this discussion and in our financial statements refers to our revenues.

OVERVIEW

We are a leading Indian integrated manufacturer of petrochemical products. Our business consists primarily of the production and sale of polymers, fibres and fibre intermediates and chemicals, which accounted for 70%, 14% and 14%, respectively, of our net sales in fiscal 2003. The remaining 2% of our net sales in fiscal 2003 were attributable to sales of other products and our trading activities. In fiscal 2004 to date, we have engaged in significant trading activities, as a result of which our net sales from trading activities accounted for 22% of our net sales in the nine month period of fiscal 2004. During this period, net sales of polymers, fibres and fibre intermediates and chemicals manufactured by us accounted for 55%, 11% and 10%, respectively, of our net sales. We expect that as a result of recent regulatory changes our trading activities in future fiscal periods may decrease substantially from the high levels experienced in the nine month period of fiscal 2004 to the lower levels experienced in prior fiscal periods.

Background

Our company was established in March 1969 as a Government of India undertaking, with the objective of promoting the development of the petrochemicals industry and market in India. The construction of our first petrochemicals complex began at Vadodara in 1970. Commercial production at the Vadodara complex commenced in 1973. Our second petrochemicals complex was commissioned in 1992 at Nagothane and the third complex at Gandhar was commissioned in 1996. Our equity shares were listed on the Vadodara stock exchange in March 1992, and subsequently were listed on several other major stock exchanges in India. Our Global Depository Receipts are listed on the Luxembourg Stock Exchange.

In June 2002, the Government, as part of its programme of privatising India's public sector undertakings, disinvested 26% of its shares in our Company to Reliance Petroinvestments Limited ("RPiL"), a member of the Reliance Group, after a competitive bidding process. The Reliance Group is one of India's leading business groups, with interests in a variety of businesses, including petrochemicals, exploration and production of oil and gas, refining of crude oil and marketing of petroleum products, financial services, power and telecommunications. RPiL subsequently acquired an additional 20% of our shares pursuant to a mandatory open offer.

Following the RPiL acquisition, our management team introduced a number of initiatives to increase capacity utilisation, reduce operating costs, improve financial management, strengthen our customer relationships and enhance our overall productivity and efficiency. We implemented a comprehensive linear programming model for our Company with a view to improving the manufacturing operations of our Vadodara, Nagothane and Gandhar complexes by rationalising feedstock selection, streamlining the transfers of hydrocarbon streams among our production units and optimising our product mix. We increased the utilisation of internally available hydrocarbons with low commercial value as feedstock or fuel, thereby reducing external purchases, minimising wastage and reducing our feedstock and fuel costs. Our three complexes at Vadodara, Nagothane and Gandhar recorded production increases of 14%, 9% and 29%, respectively, in fiscal 2003 over fiscal 2002, resulting in an overall production increase of 18%. In the nine month period of fiscal 2004, the Vadodara, Nagothane and Gandhar complexes recorded production increases of 7%, 1% and 25%, respectively, resulting in an overall production increase of 13% over the nine month period of fiscal 2003. We improved our management information systems for enterprise resource planning and accounting procedures by implementing a company-wide SAP system. We reduced our outstanding debt by Rs. 3,891 million during fiscal 2003 and Rs. 9,550 million during the nine month period of fiscal 2004. A significant portion of this debt reduction consisted of high interest debt, which had the effect of reducing our interest expense during fiscal 2003 and the nine month period of fiscal 2004.

We continue to focus on measures to reduce costs and improve our productivity and efficiency, with a view to further improving our financial performance.

Evaluation of Factors Affecting Our Operations

Our financial condition and results of operations are affected by numerous factors. The following are of particular importance, and are described in further detail under "Risk Factors as Perceived by the Company" on page 14 of this Preliminary Sale Document.

Market Forces and the Prices of Petrochemical Products and Feedstocks

Our financial results are dependent on the market prices for petrochemical products and feedstocks. Historically, the prices of feedstocks and end products have been cyclical and sensitive to changes in demand for petrochemical products, changes in oil and energy prices and changes in political and economic conditions around the world. Furthermore, the petrochemicals industry has historically experienced periods of tight supply, resulting in increased prices and profit margins. This has typically been followed by periods of substantial capacity expansion, resulting in oversupply and declining prices and profit margins. In addition, over time, petrochemical prices have declined generally.

We have witnessed significant volatility in the prices of our products and feedstocks, both historically as well as in the current fiscal year. Prices remained stable in 2000 but by the end of 2000 began showing a downward trend as a result of increased production capacities and weak demand despite rising feedstock prices. The downward trend continued during 2001. Towards the end of 2001 petrochemical prices gradually increased with petrochemical producers and end users operating on minimum inventories as a result of decreased production in the previous year. Domestic and international prices improved and remained stable in 2002 with increased demand and restocking of inventory. Global demand increased in 2002 as a number of developed countries emerged from recessions. International petrochemical prices rose significantly in the first three months of 2003 in anticipation of the conflict in Iraq, and declined between April and June 2003 as a result of SARS in Southeast Asia and the anticipation of a quick resolution to the Iraq conflict. Prices began to rise again in July 2003 as a result of rising oil and feedstock prices.

Supply of Natural Gas and Ethane/Propane

Natural gas is a major feedstock for our Gandhar complex while ethane/propane extracted from natural gas is the major feedstock for our Nagothane complex. Natural gas is also used as a fuel at our Vadodara and Nagothane complexes. Natural gas and ethane/propane, together with naphtha, accounted for the largest portion of our expenditure on raw materials during the last three fiscal years and the nine month period in fiscal 2004. Currently GAIL is the sole supplier of natural gas to all our complexes and ONGC is the sole supplier of ethane/propane to our Nagothane complex. In the event that GAIL or ONGC is unable to supply sufficient quantities of natural gas and ethane/propane to meet our requirements, our financial results will be adversely affected because alternative sources of these feedstocks will be substantially more expensive.

Prices of Natural Gas and Ethane/Propane

Under the current policy of the Government, the consumer price of natural gas is administered and fixed by the Government. The consumer price is linked to a "reference price" which is based on a pre-determined basket of international fuel prices. The reference price is calculated on a quarterly basis. Since fiscal 2000, the Government has determined the consumer price to be 75% of the reference price, with a floor price of Rs. 2,150 per 1,000 SCM and a ceiling price of Rs. 2,850 per 1,000 SCM. These prices are for a net heating value of 10,000 kilo calories per SCM and vary with the actual heating value of the natural gas. Currently the consumer price is higher than the ceiling price and therefore we pay the ceiling price to the Government. The Government has determined that the ceiling price we pay is "provisional", which means that the Government has the right to increase the price prospectively as well as retrospectively. Under current Government policy for the pricing of ethane/propane, the price of the ethane content is linked to the consumer price of natural gas, while the price of the propane content is linked to the "ex-Arab Gulf" price of propane as declared by Saudi Aramco on a monthly basis. The ethane content in the ethane/propane mix varies between 60% to 65% and the propane content varies between 35% to 40%. There have been recent reports in the Indian press that the Government is considering revisions to its natural gas pricing policy. Changes in the Government's policy for the pricing of natural gas, or any other form of deregulation of the natural gas sector, may affect our financial results. We do not have hedging arrangements in place to lock in feedstock prices.

Capacity Utilisation

To maximise efficiency, modern petrochemical complexes are generally operated all year round on a twenty four hours a day, seven days a week basis. Our profitability depends significantly on our capacity utilisation rates. Our capacity utilisation is also affected by shutdowns or other interruptions in production, which can be caused by problems in the supply of feedstocks from our main feedstock vendors such as ONGC and GAIL or because of scheduled or unexpected maintenance work. The overall capacity utilisation for our major products averaged 103%, 102.8% and 111.5% at the Vadodara complex, 105.9%, 103% and 110.7% at the Nagothane complex and 86%, 95% and 98.8% in the Gandhar complex in fiscal 2001, 2002 and 2003, respectively. In the nine month period of fiscal 2004, the overall capacity utilisation for our major products at the Vadodara, Nagothane and Gandhar complexes was 119%, 112% and 109%, respectively. The relatively low capacity utilisation at the Gandhar complex during fiscal 2001 and 2002 was primarily due to insufficient supplies of semi rich gas, which is the complex's principal feedstock.

Tariffs on Import of Petrochemical Products

The Indian petrochemicals industry has historically enjoyed protection from international competition because of high import tariffs on petrochemical imports. However, since 1993, the Government has been implementing a phased reduction of import duties, and consequently import duties on petrochemical products have declined from a peak of 130% in the early 1990s to the current range of 15% to 20%. India's commitments to the WTO and other multilateral organisations as well as its bilateral free trade agreements with several countries have led to declines in import tariffs for a wide range of products including petrochemicals. We expect import tariffs to decline further in the near future. As a result, we currently face and expect to continue to face increased competition in most of our products from international petrochemical producers, including large multinational companies that might have significantly greater resources (financial and otherwise) than us. We also expect to face competition from petrochemical producers in countries with which India currently has or may in the future have free trade or preferential trade agreements. We believe that the reductions in import tariffs to date have had, and will continue to have, an adverse effect on our financial performance.

Trading Activities

As part of our trading activities, we purchase petrochemical products from other domestic producers, primarily RIL, and export them to markets in other countries. We engage in trading activities to avail of certain benefits offered to "trading houses" under Government regulations and to understand new international markets. Income from our trading activities are included in our financial statements as "Net Sales of Products Traded in by the Company" while the expenses of purchasing traded products are included in our financial statements as "Purchases of Trading Goods".

Until the end of fiscal 2003, trading activities accounted for less than 1% of our net sales. During the nine month period of fiscal 2004, as a result of a significant increase in our trading activities, in particular, exports of products purchased by us from other manufacturers, net sales from traded products accounted for 22% of our net sales. Our trading activities increased in the nine month period of fiscal 2004 because of certain import duty benefits that were available to us as an exporter of products manufactured by us as well as of products purchased by us from other manufacturers. The Government issued a notification in late January 2004 that these benefits would no longer be available in respect of products purchased by us from other manufacturers. As a result, we expect that our trading activities in future fiscal periods may decline substantially from the high levels experienced in the nine month period of fiscal 2004 to the lower levels experienced in prior fiscal periods. Also see "Regulations and Policies".

Inventory

Our operating expenses are classified under various account categories, including an account entitled "Variation in Stocks". This account is used to adjust for amounts that are recorded in the other categories of operating expenses but are not attributable to products sold in the relevant period. For example, if inventory levels increase during a period, all of the other accounts in operating expenses (such as raw materials and manufacturing expenses) will include amounts spent to produce products not sold during the period. The aggregate of these amounts is then deducted in the "Variation in Stocks" account. As a result, the component accounts of operating expenses during periods when there were substantial changes in inventory levels from the beginning to the end of the period may not be comparable to such component accounts in periods when there were no substantial changes in inventory levels.

Excise Duties and Sales Taxes

Excise duty is levied on the manufacture or production of goods in India. The duty is paid by us, on the basis of the price of the goods, when goods are removed from the place of manufacture, and are recovered by us as part of the ultimate selling price of the goods. For purposes of the financial statements in this Preliminary Sale Document and this discussion, excise duties recovered by us have been set off by excise duty paid, and the resulting net cost of excise duties has been shown under "Excise Duty on Stocks". Although excise duty is not levied on imported products, a countervailing duty equal to the relevant rate of the excise duty is imposed.

Sales tax in India is levied both by the central Government and the states. Sales tax levied by the central Government applies to interstate transactions and sales tax levied by the states applies to sales within each state. State governments may grant temporary exemptions from the sales tax they impose on goods produced at manufacturing plants located within certain areas in those states that have been designated as economically disadvantaged. The Nagothane and Vadodara complexes do not receive any exemptions, while certain plants in the Gandhar complex currently receive exemptions. Sales tax represents the main source of income for each state and is generally levied at rates ranging from 1% to 38% (depending on the product and the state) of the price of each sale. Sales tax collected by us is not included in our income. Sales taxes paid by us on inputs, primarily raw materials, are included in our financial statements in the "Raw Materials Consumed" account. Setting off of sales tax paid for raw materials and inputs in the state of Maharashtra is allowed against sales tax applicable on finished goods sold within the state of Maharashtra. This set off was treated as "Miscellaneous Income" in our audited financial statements until the end of fiscal 2002. From fiscal 2003, the set off has been included in the "Raw Materials Consumed" account in our audited financial statements. In the restated profit and loss accounts included in this Preliminary Sale Document the set off has been included under "Raw Materials Consumed" for all the periods presented.

Taxation

We are subject to Indian corporate income tax. The total income tax payout consists of income tax and surcharge thereon at the rates specified in the Government's annual budget. The effective tax rates applicable for fiscal 2001, 2002, 2003 and 2004 are as follows:

Fiscal	Income Tax Rate	Surcharge	Effective Tax Rate
2001	35%	13%	39.6%
2002	35%	2%	35.7%
2003	35%	5%	36.8%
2004	35%	2.5%	35.9%

Tax at the effective rate is levied on taxable income, which is computed after factoring in depreciation and other allowances as prescribed under the Indian income tax laws. For fiscal 2001, 2002 and 2003 and the nine month period of fiscal 2004 we had no taxable income because of the depreciation and other allowances available to us. However, we were required to pay Minimum Alternate Tax ("MAT") for these periods. MAT is a tax on book profits that was introduced by the Government starting in fiscal 1997. MAT is applicable only if the tax payable under the MAT provisions is greater than the tax on taxable income calculated at the normal rates as described in the above table. The effective MAT rates applicable to us for fiscal 2001, 2002, 2003 and 2004 are as follows:

Fiscal	Basis for Tax	Surcharge	Effective Rate
2001	35% of 30% of Book Profits	13%	11.87%
2002	7.5% of Book Profits	2%	7.65%
2003	7.5 % of Book Profits	5%	7.88%
2004	7.5 % of Book Profits	2.5%	7.69%

Capitalisation of Pre-operating Expenses

In accordance with Indian GAAP, we capitalise all pre-operating expenses related to the installation of new plants and equipment until they commence commercial operation. These capitalised pre-operating expenses are amortised over an appropriate period.

Foreign Exchange Rate Fluctuations

We import a number of feedstocks and other inputs from vendors outside India and export products to markets outside India. Since the cost of such inputs and the prices of our exported products are denominated mainly in US Dollars, fluctuations with respect to the exchange rate of US Dollars for Indian Rupees can increase or reduce our input costs and the prices we obtain for our products. Furthermore, we sell many of our products in the Indian market at import parity prices, which are based on international prices and are therefore subject to exchange rate fluctuations. We also have borrowings in foreign currencies, and significant portion of our Capital Expenditures including imported technology, equipment and machinery, is denominated in foreign currencies, which also exposes us to exchange rate risks. We have in the past entered into foreign exchange forward and derivative contracts and from time to time enter into these contracts to hedge these risks, but these contracts may not protect us fully from losses due to fluctuations in foreign exchange rates.

Our Critical Accounting Policies

Our financial statements and the accompanying notes contain information that is pertinent to this discussion and analysis of our financial position and results of operations. The preparation of financial statements in conformity with Indian generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditures, and the related disclosure of cash flows and contingent liabilities, among others. Estimates are evaluated based on available information and experience. Actual results could differ from those estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, income and expenditure amounts. For a detailed description of our significant accounting policies, see Annexure IV of the restated financial statements in this Preliminary Sale Document.

Fixed Assets

We state fixed assets at cost net of credits on excise duty, less accumulated depreciation. We capitalise all costs relating to major new projects, including financing costs incurred until commencement of commercial production, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets.

Leased Assets

We expense rentals on operating leases, with reference to lease terms and other considerations.

We expense rentals on finance leases entered into prior to April 1, 2001, with reference to lease terms and other considerations.

Regarding finance leases entered into on or after April 1, 2001, we capitalise as fixed assets, with the corresponding amount shown as lease liability, the lower of the fair value of the assets and the present value of the minimum lease rentals. We adjust the principal component in the lease rental against the lease liability and the interest component is charged to our Profit and Loss account.

However, we capitalise rentals on operating leases and finance leases entered into prior to April 1, 2001 and the interest component of rentals on finance leases entered into after April 1, 2001, to the extent these amounts relate to periods prior to the date of commissioning of the assets.

The key variables that we estimate in determining the fair value of leased assets and the present value of the minimum lease rentals include cost of capital, prices, operating and other costs, capital expenditures and other factors. These factors are subject to change from time to time, and estimating them involves a high degree of management judgment. To the extent our estimates change in the future, the value of our leased assets and rentals may change, which could have an adverse effect on our financial condition.

Depreciation

We provide for depreciation on fixed assets using the straight line method ("SLM") at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except in respect of plant and machinery and furniture and fixtures at the Vadodara complex where we provide for depreciation using the written down value ("WDV") method.

In respect of assets other than the Vadodara assets referred to above acquired prior to April 1, 1993 we provide for depreciation using the SLM as prescribed under Section 205(2)(b) of the Companies Act, 1956. With respect to additions or extensions forming an integral part of existing plants, including incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets and insurance spares, we provide for depreciation over the residual life of the respective plants. Where there is a premium on leasehold land, we amortise the premium over the period of the lease. With respect to assets acquired under finance leases on or after April 1, 2001, we provide for depreciation over the lease term.

We regularly review the depreciable lives and may change the basis for providing depreciation to reflect our current thinking on their remaining lives in light of numerous assumptions and estimates, including with respect to the economic environment, technological change, prospective economic utilisation and physical condition of the assets concerned. Starting in fiscal 2005 we will be subject to AS 28, which deals with the impairment of long lived assets. The application of this standard could involve assumptions and estimates that are different from those that we currently use, which could impact the fair value of our assets.

Investments

We state our long-term investments at cost. We make a provision for diminution in the value of long-term investments only if such a decline is, in our opinion, not temporary.

In determining whether the diminution in value of long-term investments is other than temporary, we are required to make certain assumptions regarding the future prospects and viability of the investments, which would in part depend on our assumptions about future economic conditions. Different assumptions regarding these estimates could affect our evaluations regarding the value of long-term investments.

Inventories

We measure inventories at the lower of cost and net realisable value. We measure the cost of inventories as including all purchase, conversion and other costs incurred in bringing them to their respective present locations and condition. We determine cost of raw materials, process chemicals, stores and spares, packing materials, trading and other products on a weighted average basis. We value by-products at net realisable value. We determine the cost of work-in-progress and finished stock using the absorption costing method.

Provision for Current and Deferred Tax

We make the provision for current tax after taking into consideration benefits allowable under the provisions of the Income Tax Act, 1961.

We account for deferred tax resulting from timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the date of the balance sheet. We recognise the deferred tax asset and carry it forward only to the extent that there is a reasonable certainty that the asset will be realised in the future.

Determining whether a deferred tax asset will be realised in the future requires us to make a number of judgments and estimates regarding our future performance, among other things, which would in part depend on our assumptions about future economic conditions.

Miscellaneous Expenditure

We amortise miscellaneous expenditures, to the extent they are not expensed in the period when they are incurred, over a period of five years on a pro-rata basis.

Contingent Liabilities

We disclose contingent liabilities in notes to our financial statements. We make provision for those contingencies which are likely to materialise into liabilities that could materially affect our financial condition after the end of the fiscal year and until the finalisation of our accounts.

Determining the appropriate level of reserves or provisions relating to contingent liabilities requires us to make a number of significant judgments and estimates, including with respect to the degree of probability of an unfavourable outcome, the size and timing of such an outcome, the amount of potential loss and any offsetting benefits.

As new facts or circumstances unfold, we reassess the level of reserves or provisions, and changes to these may materially affect our financial condition and results.

Recent Developments

In April 2003, we invested Rs. 880 million in Pass Through Certificates of ICICI Bank issued by Indian MBS Trust Series VI. This instrument, which securitises certain home loan receivables, is rated AAA (SO) by the credit rating agency CRISIL Ltd., and has an annual yield of 7.5%. As of December 31, 2003, Rs. 682 million of this investment was outstanding.

In August 2003, we entered into a U.S. $100 million equivalent term loan facility as part of our "external commercial borrowing" programme, for general corporate purposes including refinancing of high cost indebtedness. The loan facility was arranged by ANZ Investment Bank and State Bank of India and is denominated in U.S Dollars and Japanese Yen. We are required to repay the facility in a single installment in August 2008.

In October 2003, arbitration proceedings commenced for the settlement of a dispute with Larsen & Toubro Limited and its subsidiary India Infrastructure Developers Limited ("IIDL"). We have claimed liquidated damages of Rs. 240 million from Larsen & Toubro for the delay in commissioning the power plant for the Gandhar complex. IIDL has counterclaimed in respect of certain rental payments totalling Rs. 457 million. We have further counterclaimed Rs. 1,558 million in respect of our high cost of power supply and loss of production resulting from the delay in commissioning the plant.

During the construction phase of GCPTCL, our joint venture with several Gujarat Government entities, we had provided an interim guarantee for debentures aggregating Rs. 1,400 million in favour of ICICI Bank to enable it to lend funds on an interim basis to the project, pending closure of definitive financing arrangements by GCPTCL. According to the terms agreed with ICICI Bank, this guarantee was expected to terminate when GCPTCL obtained definitive financing. In January 2004, ICICI Bank issued a notice to us alleging that GCPTCL has not been able to service its obligations under the debentures due to a revenue shortfall and invoked our guarantee to the extent of Rs. 241 million. We and GCPTCL are contesting this claim with ICICI Bank in the context of a potential financial restructuring of GCPTCL, which is currently under consideration.

We are in the process of relocating some of the CATAD facilities from Navi Mumbai to our Nagothane complex and other suitable locations.

OUR RESULTS OF OPERATIONS

Income

Sales of Products Manufactured by Us

The sales of products manufactured by us include domestic sales and exports of polymers, fibres and fibre intermediates, chemicals and other products. In the financial statements in this Preliminary Sale Document we have reported sales net of trade discounts, rebates, sales tax and excise duties. Domestic sales, whether direct sales by us or sales by our consignment agents, are accounted for at the time of dispatch to the customer. Export sales are accounted for when the bills of lading for the shipments are prepared.

Sales of Products Traded by Us

The sales of products traded by us include exports of petrochemical and petroleum products purchased by us in the domestic market from other producers. We record export sales of these products when the bills of lading for the shipments are prepared.

Other Income

Other income includes export incentives, interest income and other miscellaneous items. Export incentives were recognised on a cash basis until fiscal 2002 and thereafter on an accrual basis based on actual exports. Interest income and other miscellaneous items are accounted for on an accrual basis.

Expenditure

Our expenditure includes expenditures on:

- Raw materials such as naphtha, ethane / propane, imported propane and semi-rich gas
- Purchase of trading goods
- Stores, chemicals and packing materials
- Excise duty on stocks
- Other manufacturing expenses, including power and fuel, repair of plant and machinery, lease rent, labour outsourcing and hire charges
- Employee remuneration and benefits, including salaries, wages, bonus and contributions to provident and other funds, welfare expenses and Voluntary Retirement Scheme benefits
- Establishment expenses, which are mainly administrative expenses
- Selling and distribution expenses, including discounts and commissions to distributors, warehousing and distribution expense and provision for doubtful debts and advances
- Interest on borrowings and finance charges on leased assets
- Depreciation on fixed assets and leased assets

The following table sets forth certain information with respect to our sales, expenditure and profits, as well as the ratio of certain items to net sales, for the periods indicated.

(Rs. million)

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine Month Period of	
				Fiscal 2003	Fiscal 2004
Income					
Net Sales					
Of Products manufactured by the Company	49,614	47,342	49,838	36,341	42,747
Of Products traded in by the Company	446	57	452	214	12,034
Total	**50,060**	**47,399**	**50,290**	**36,555**	**54,781**
Other Income	1,348	1,319	1,051	537	792
Total	**51,408**	**48,718**	**51,341**	**37,092**	**55,573**
Expenditure					
Raw Materials Consumed	18,598	18,380	20,504	15,062	17,680
Raw Materials Consumed as % of Net Sales	*37%*	*39%*	*41%*	*41%*	*32%/41%**
Purchases of Trading Goods	417	54	461	220	11,445
Stores, Chemicals and Packing Materials	2,339	2,530	3,603	2,000	3,266
Excise Duty on Stocks	188	(294)	608	320	(117)
Other Manufacturing Expenses	9,548	8,401	9,317	6,602	6,582
Other Manufacturing Expenses as % of Net Sales	*19%*	*18%*	*19%*	*18%*	*12%/15%**
Employees Remuneration and Benefits	4,402	4,027	4,173	3,151	2,958
Establishment Expenses	1,667	1,841	1,538	1,401	1,364
Selling and Distribution Expenses	2,831	2,733	2,386	1,976	2,670
Interest	4,968	3,796	3,690	2,960	2,491
Interest as % of Net Sales	*10%*	*8%*	*7%*	*8%*	*5%/6%**
Depreciation	4,149	4,244	4,543	3,376	3,508
Depreciation as % of Net Sales	*8%*	*9%*	*9%*	*9%*	*6%/8%**
Miscellaneous Expenditure written off	322	380	132	115	94
Expenditure before Variation in Stocks	49,429	46,092	50,955	37,183	51,941
Variation in Stocks	(760)	1,928	(2,807)	(1732)	426
Total Expenditure	**48,669**	**48,020**	**48,148**	**35,451**	**52,367**
Total Expenditure as % of Net Sales	*97%*	*101%*	*96%*	*97%*	*96%/96%**
Net Profit before Extraordinary, Non-recurring and Prior Period Adjustments	**2,739**	**698**	**3,193**	**1,641**	**3,206**
Net Profit before Extraordinary, Non-recurring and Prior Period Adjustments as % of Net Sales	*5%*	*1%*	*6%*	*4%*	*6%/7%**
Extraordinary, Non-recurring and Prior Period Items (Expense) / Income	(19)	408	(567)	–	(1,442)
Profit before tax	**2,720**	**1,106**	**2,626**	**1,641**	**1,764**
Profit before Tax as % of Net Sales	*5%*	*2%*	*5%*	*4%*	*3%/4%**
Less: Taxation - Current	231	(56)	190	120	20
Less: Taxation - Deferred	88	395	375	_	
Net Profit after tax as per audited statement of accounts	**2,489**	**1,074**	**2,041**	**1,146**	**1,744**
Net Profit after Tax as % of Net Sales	*5%*	*2%*	*4%*	*3%*	*3%/4%**
Impact on account of changes in accounting policies and prior period adjustments	(778)	(393)	(200)	(222)	(700)
Adjusted Profit / (Loss)	**1,711**	**681**	**1,841**	**924**	**1,044**
Adjusted Profit as % of Net Sales	*3%*	*1%*	*4%*	*3%*	*2%/2%**

* *The first percentage figure includes the effect of our trading activities for the nine month period of fiscal 2004; the second percentage figure excludes the effect of our trading activities during this period.*

COMPARISON OF THE NINE MONTH PERIOD OF FISCAL 2004 TO THE NINE MONTH PERIOD OF FISCAL 2003

Income

Our total income increased by 50% to Rs. 55,573 million in the nine month period of fiscal 2004 from Rs. 37,092 million in the nine month period of fiscal 2003.

Net Sales

Our net sales increased by 50% to Rs. 54,781 million in the nine month period of fiscal 2004 from Rs. 36,555 million in the nine month period of fiscal 2003. This increase was primarily on account of a significant increase in net sales of products traded by us. Higher sales volumes of products manufactured by us and increases in the international prices of MEG and certain chemicals sold by us also contributed to the increase in net sales.

In the nine month period of fiscal 2004, net sales of products traded in by us increased to Rs. 12,034 million, or 22% of our net sales, from Rs. 214 million, or 0.6% of net sales, in the nine month period of fiscal 2003. We increased our trading activities during fiscal 2004 because of certain benefits that were available to us under the Government's export-import policy. In January 2004 the Government issued a notification that these benefits would no longer be available. As a result, we expect that our trading activities may decline substantially in future fiscal periods. See "– Evaluation of Factors Affecting Our Operations – Trading Activities".

Net sales of products manufactured by us increased by 18% to Rs. 42,747 million from Rs. 36,341 million in the nine month period of fiscal 2003. Net sales of products manufactured by us constituted 78% of our net sales compared to 99% of net sales in the nine month period of fiscal 2003. This decline was on account of the significant increase in our trading activities during the nine month period of fiscal 2004. During this period, net sales of polymers, fibres and fibre intermediates and chemicals manufactured by us constituted 55%, 11% and 10%, respectively, of our net sales, compared to 72%, 12% and 12%, respectively, in the nine month period of fiscal 2003.

Net sales of polymers increased by 14% to Rs. 30,258 million from Rs. 26,466 million, net sales of fibres and fibre intermediates increased by 31% to Rs. 5,905 million from Rs. 4,517 million and net sales of chemicals increased by 26% to Rs. 5,718 million from Rs. 4,541 million in the nine month period of fiscal 2003. The primary reason for the 14% increase in net sales of polymers was the 16% increase in the sales volume of polymers on account of higher demand in the domestic market and an increase in export sales. This increase was partly offset by a 2% decrease in polymer prices during the nine month period of fiscal 2004 compared to the nine month period of fiscal 2003. The 31% increase in net sales of fibres and fibre intermediates was primarily because of a 35% increase in the price of MEG on account of higher international prices of MEG and a 105% increase in the sales volume of acrylic fibres on account of higher production and demand of acrylic fibres. The 26% increase in net sales of chemicals was primarily because of a 9.5% increase in the sales volume of chemicals due to higher demand in the domestic market and a 15% increase in the selling price of chemicals, on account of higher international prices, particularly of LAB, benzene, ethylene oxide and caustic soda.

Other Income

Other income increased by 47% to Rs. 792 million in the nine month period of fiscal 2004 from Rs. 537 million in the nine month period of fiscal 2003, primarily because of an increase in export incentives by Rs. 252 million in the nine month period of fiscal 2004 compared to the corresponding period of fiscal 2003. Export incentives increased because of higher exports during the nine month period of fiscal 2004 compared to the corresponding period in fiscal 2003.

Expenditure

Total expenditure increased by 48% to Rs. 52,367 million in the nine month period of fiscal 2004 compared to Rs. 35,451 million in the corresponding period of fiscal 2003 and expenditure before variation in stocks increased by 40% to Rs. 51,941 million in the nine month period of fiscal 2004 compared to Rs. 37,183 million in the corresponding period in fiscal 2003. In the nine month period of fiscal 2004, total expenditure was 96% of net sales (whether or not the effects of trading activities are considered), compared to 97% in the corresponding period in fiscal 2003. Excluding the purchase of trading goods, total expenditure increased by 16% in the nine month period of fiscal 2004 compared to the corresponding period in fiscal 2003.

Raw Materials Consumed

Raw materials constituted approximately 34% and 41% of our expenditure before variation in stocks and 32% (41% excluding the effect of trading activities) and 41% of our net sales for the nine month periods of fiscal 2004 and 2003, respectively. Consumption of raw materials increased by 17% to Rs. 17,680 million in the nine month period of fiscal 2004 from Rs. 15,062 million in the nine month period of fiscal 2003 primarily because of a 13% increase in overall production during the fiscal 2004 period, as well as an increase in raw material prices. During the nine month period of fiscal 2004, prices of our major feedstocks, namely naphtha, propane and ethane/propane mix, were 6%, 14% and 3% higher, respectively, compared to the nine month period of fiscal 2003.

Purchase of Trading Goods

Purchase of trading goods constituted approximately 22% and 0.6% of our total expenditure for the nine month periods of fiscal 2004 and 2003, respectively. Purchase of trading goods increased significantly to Rs. 11,445 million in the nine month period of fiscal 2004 from Rs. 220 million in the corresponding period in fiscal 2003 because of the significant increase in our trading activities during this period.

Other Manufacturing Expenses

Other manufacturing expenses constituted approximately 13% and 18% of our total expenditure before variation in stocks and 12% (15% excluding the effects of trading activities) and 18% of our net sales for the nine month periods of fiscal 2004 and 2003, respectively. Other manufacturing expenses decreased by 0.3% to Rs. 6,582 million in the nine month period of fiscal 2004 from Rs. 6,602 million in the corresponding period in fiscal 2003 primarily because the 4% appreciation of the rupee against the US dollar in the former period resulted in a higher exchange rate gain of Rs. 257 million in that period compared to Rs. 19 million in the nine month period of fiscal 2003. This gain was partly offset by an increase in fuel and water charges due to higher production in the nine month period of fiscal 2004.

Employees' Remuneration and Benefits

Employees' remuneration and benefits decreased by 6% to Rs. 2,958 million in the nine month period of fiscal 2004 from Rs. 3,151 million in the nine month period of fiscal 2003. This was primarily because of the implementation of the Voluntary Retirement Scheme in fiscal 2004, which reduced the number of employees by approximately 1,800.

Selling and Distribution Expenses

Selling and distribution expenses increased by 35% to Rs. 2,670 million in the nine month period of fiscal 2004 from Rs. 1,976 million in the corresponding period in fiscal 2003 primarily on account of higher warehousing and distribution cost and a higher provision for doubtful debts. Warehousing and distribution expenses increased by Rs. 338 million on account of higher sales volume and higher freight costs. During the nine month period of fiscal 2004, provision for doubtful debts was higher by Rs. 296 million based on changes in our estimation of recoverable debts.

Interest

Interest expense constituted approximately 5% and 8% of our total expenditure and 5% and 8% of our net sales in the nine month periods of fiscal 2004 and 2003, respectively. Interest expense decreased by 16% to Rs. 2,491 million in the nine month period of fiscal 2004 from Rs. 2,960 million in the corresponding period in fiscal 2003. The decrease was primarily because of the reduction in our outstanding debt, a significant portion of which was high interest debt, by Rs. 9,836 million during this period.

Depreciation

Depreciation constituted approximately 7% and 10 % of our total expenditure and 6% and 9% of our net sales in the nine month periods of fiscal 2004 and 2003, respectively. Depreciation increased by 4% to Rs. 3,508 million in the nine month period of fiscal 2004 from Rs. 3,376 million in the corresponding period in fiscal 2003. This was primarily because of an increase in fixed assets (net of deductions) by Rs. 2,301 million as of December 31, 2003 compared to December 31, 2002, as well as a change in the basis of providing depreciation for certain assets of the Vadodara complex.

The increase in fixed assets was primarily on account of the capitalisation of Rs. 1,908 million relating to the Dahej-Gandhar-Baroda pipeline assets that were leased in March 2003. With effect from April 1, 2003, we changed the basis of providing depreciation from the straight line method (SLM) to the written down value method (WDV) in respect of certain assets at the Vadodara complex, on account of which the depreciation increased by Rs. 40 million for the nine month period of fiscal 2004. This change in depreciation policy has led to an additional depreciation charge of Rs. 2,140 million in respect of earlier years and an equivalent amount was withdrawn from the General Reserve in our audited statement of accounts. However, this accounting treatment has been reversed in the restated statement of accounts and the depreciation has been charged to the corresponding earlier years to which the impact of the change relates.

Net Profit before Extraordinary, Non-recurring and Prior Period Items

Net profit before extraordinary, non-recurring and prior period items increased to Rs. 3,206 million in the nine month period of fiscal 2004 from Rs. 1,641 million in the corresponding period of fiscal 2003 as a result of the reasons stated above, and was 6% (7% excluding the effects of trading activities) and 4% of our net sales in the nine month periods of fiscal 2004 and 2003, respectively.

Extraordinary, Non-recurring and Prior Period Items

During the nine month period of fiscal 2004, we had an extraordinary, non-recurring expense of Rs. 1,442 million on account of the settlement relating to the Voluntary Retirement Scheme that was implemented during the period. Approximately 1,800 employees opted for early retirement from our Company and our total expenditure relating to the VRS was Rs. 1,645 million, of which Rs. 203 million was provided for as vacation salary in prior years, and the remaining Rs. 1,442 million was provided for in the nine month period of fiscal 2004.

Provision for Current Tax and Deferred Tax

During the nine month period of fiscal 2004, we provided Rs. 20 million as current tax compared to Rs. 120 million in the nine month period of fiscal 2003. The provision for current tax during both the periods was at the MAT rate but was lower in the nine month period of fiscal 2004 because of the change in the basis of depreciation of certain assets of the Vadodara complex. Provision for deferred tax for the nine month period of fiscal 2004 was zero compared to Rs. 375 million for the nine month period of fiscal 2003. The deferred tax during the nine month period of fiscal 2004 was zero on account of the withdrawal of Rs. 2,140 million from our general reserves, and was set off by an equivalent deferred tax liability for the quarter ended December 31, 2003.

Net Profit after Tax as per Audited Statement of Accounts

Net Profit after Tax for the nine month period of fiscal 2004 increased to Rs. 1,744 million from Rs. 1,146 million in the nine month period of fiscal 2003 as a result of the factors discussed above, and was 3% (4% excluding the effects of trading activities) and 3% of our net sales in the nine month periods of fiscal 2004 and 2003, respectively.

Adjusted Profit

Adjusted profit during the nine month period of fiscal 2004 was Rs. 1,044 million, which was lower by Rs. 700 million compared to the net profit after tax as per audited statement of accounts for the same period. The adjustment to profit was primarily on account of a recognition of Rs. 805 million as deferred tax liability compared to a deferred tax liability of zero in the audited statement of accounts. The deferred tax during the nine month period of fiscal 2004 was zero on account of the withdrawal of Rs. 2,140 million from our general reserves, was set off by an equivalent deferred tax liability for the quarter ended December 31, 2003. In our restated financial statements, and the withdrawal from the general reserves has been reversed and the depreciation has been allocated to the applicable earlier years. The rest of the restatement was on account of the impact of a reversal of short-term interest that was capitalised in fiscal 1999 and the reallocation of prior period expense of Rs. 84 million relating to interest payments allocable to the prior years.

COMPARISON OF FISCAL 2003 TO FISCAL 2002

Income

Our total income increased by 5.4% to Rs. 51,341 million in fiscal 2003 from Rs. 48,718 million in fiscal 2002.

Net Sales

In fiscal 2003 and 2002, net sales of products manufactured by us constituted over 99% of our net sales. Net sales of polymers, fibres and fibre intermediates and chemicals constituted 70%, 14% and 14%, respectively, of our net sales, compared to 74%, 10% and 15% respectively in fiscal 2002.

Our net sales increased by 6% to Rs. 50,290 million in fiscal 2003 from Rs. 47,399 million in fiscal 2002 primarily on account of the increase in international petrochemical prices, especially of fibre and fibre intermediates, during fiscal 2003 which enabled us to obtain higher prices for our products. The increase in sales in fiscal 2003 was also on account of a 3% increase in our sales volume over fiscal 2002 because of increased demand and an improved discount structure and allocation of sales territories. Net sales of polymers increased by 1.4% to Rs. 35,480 million from Rs. 34,976 million, net sales of fibres and fibre intermediates increased by 39% to Rs. 6,875 million from Rs. 4,949 million and net sales of chemical products increased by 1.8% to Rs. 7,194 million from Rs. 7,069 million in fiscal 2002. The reasons for the 39% increase in net sales of fibres and fibre intermediates are (i) the 33% increase in the price of MEG and 18% increase in the price of acrylic fibre, (ii) the increase in MEG output of our plants during the fiscal year, and (iii) restarting our acrylic fibre bicomponent plant at the Vadodara complex and the increase in its capacity utilisation to 67% in fiscal 2003 from 5% in fiscal 2002. Exports of products manufactured by us increased to Rs. 4,238 million in fiscal 2003 from Rs. 1,840 million in fiscal 2002.

Other Income

Other income decreased by 20% to Rs. 1,051 million in fiscal 2003 from Rs. 1,319 million in fiscal 2002, primarily because of a decrease in interest income by Rs. 464 million in fiscal 2003 as compared to fiscal 2002. Interest income decreased because of the lower cash balances maintained by us in fiscal 2003 compared to fiscal 2002, when we maintained higher cash balances in order to meet repayment obligations in respect of foreign currency debt. This was partially offset by an increase in export incentives of Rs. 230 million due to higher exports in fiscal 2003 compared to fiscal 2002 and the change in the accounting basis of export incentives from a cash basis to the accrual method.

Expenditure

Total expenditure increased by 0.3% to Rs. 48,148 million in fiscal 2003 compared to Rs. 48,020 million in fiscal 2002 and expenditure before variation in stocks increased by 11% to Rs. 50,955 million in fiscal 2003 compared to Rs. 46,092 million in fiscal 2002. In fiscal 2003, total expenditure was 96% of net sales compared to 101% in fiscal 2002.

Raw Materials Consumed

Raw materials constituted approximately 40% of our expenditure before variation in stocks in both fiscal 2003 and 2002 and approximately 41% and 39% of our net sales in fiscal 2003 and 2002, respectively. Consumption of raw materials increased by 12% to Rs. 20,504 million in fiscal 2003 from Rs. 18,380 million in fiscal 2002 because of the 18% increase in overall production in fiscal 2003 compared to fiscal 2002, as well as the significant increase in raw material cost in fiscal 2003 compared to fiscal 2002. During fiscal 2003, prices of our major feedstocks, namely naphtha, propane, ethane/propane mix and rich gas, were 16%, 16%, 21% and 23% higher, respectively, compared to fiscal 2002, which also contributed towards higher raw material cost in fiscal 2003.

Other Manufacturing Expenses

Other manufacturing expenses constituted approximately 18% of our total expenditure for fiscal 2003 and 2002 and approximately 19% and 18% of our net sales in fiscal 2003 and 2002, respectively. Other manufacturing expenses increased by 11% to Rs. 9,317 million in fiscal 2003 from Rs. 8,401 million in fiscal 2002 primarily on account of increases in electricity, power, fuel and water charges during fiscal 2003. These charges increased primarily due to our higher production in fiscal 2003 compared to fiscal 2002.

Employees' Remuneration and Benefits

Employees' remuneration and benefits increased by 4% to Rs. 4,173 million in fiscal 2003 from Rs. 4,027 million in fiscal 2002, primarily on account of regular salary increases and an increase in dearness allowances.

Selling and Distribution Expenses

Selling and distribution expenses decreased 13% to Rs. 2,386 million in fiscal 2003 from Rs. 2,733 million in fiscal 2002, primarily on account of lower brokerage costs, discounts and commissions by Rs. 359 million in fiscal 2003 compared to fiscal 2002.

Interest

Interest expense constituted approximately 8% of our total expenditure in fiscal 2003 and 2002 and approximately 7% and 8% of total sales in fiscal 2003 and 2002, respectively. Interest expense decreased by 3% to Rs. 3,690 million in fiscal 2003 from Rs. 3,796 million in fiscal 2002. This decrease was primarily because interest expense on our outstanding debt declined by Rs. 838 million in fiscal 2003 as a result of reduction in our outstanding debt by Rs. 3,891 million during the fiscal year, as well the overall decline in interest rates. The decrease in interest expense was partially offset by a finance charge towards leased assets of Rs. 732 million relating to the Hazira-Gandhar gas pipeline. This charge is recurring in nature during the term of the lease (15 years) and was incurred for the first time during fiscal 2003 as the lease began in 2003.

Depreciation

Depreciation constituted approximately 9% of our total expenditure and 9% of our net sales in fiscal 2003 and 2002. Depreciation increased by 7% to Rs. 4,543 million in fiscal 2003 from Rs. 4,244 million in fiscal 2002 primarily on account of an increase in leased assets by Rs. 6,823 million due to the capitalisation of the Hazira-Gandhar gas pipeline assets and the Dahej-Gandhar-Baroda pipeline assets. In fiscal 2003, there was an increase of Rs. 798 million in other fixed assets, of which Rs. 155 million was on account of foreign exchange variations capitalised during the fiscal year. These foreign exchange variations include, for example, the impact of changes in exchange rates on foreign currency borrowings to acquire or build assets, which we capitalise. The remainder of the increase in other fixed assets was mainly due to additions to plant and machinery.

Net Profit before Extraordinary, Non-recurring and Prior Period Items

Net profit before extraordinary, non-recurring and prior period items increased to Rs. 3,193 million in fiscal 2003 from Rs. 698 million in fiscal 2002 as a result of reasons stated above, and was 6% and 1% of net sales in fiscal 2003 and 2002, respectively.

Extraordinary, Non-recurring and Prior Period Items

During fiscal 2003, we had an extraordinary/prior period expense of Rs. 567 million compared to an extraordinary/ prior period income of Rs. 408 million in fiscal 2002. The extraordinary/prior period expense of Rs. 567 million in fiscal 2003 was on account of discharge of our past liability towards water charges under a settlement reached with the Government of Gujarat during the fiscal year. The extraordinary/prior period income in fiscal 2002 was mainly because of the capitalisation of losses incurred in earlier years on certain forward exchange contracts entered into to hedge foreign currency borrowings made to acquire assets for the Gandhar complex.

Provision for Current Tax and Deferred Tax

During fiscal 2003, we provided Rs. 190 million as current tax compared to a credit of Rs. 56 million on account of current tax in fiscal 2002. The provision for current tax during fiscal 2003 was at the MAT rate. During fiscal 2003, we had a deferred tax liability of Rs. 395 million. Until the end of fiscal 2002, we measured our deferred tax liability at the MAT rate. In fiscal 2003, in accordance with an interpretation issued by the Institute of Chartered Accountants of India, we recomputed our deferred tax liability as on April 1, 2001 measured at the normal tax rates and charged the shortfall of Rs. 6,833 million to our revenue reserves. Following the recomputation, we charged the shortfall for fiscal 2002 amounting to Rs. 335 million to our audited Profit and Loss account for fiscal 2003. Deferred tax liabilities have been recognised in the year of origination in the financial statements in this Preliminary Sale Document.

Net Profit after Tax as per Audited Statement of Accounts

Net Profit after Tax during fiscal 2003 increased to Rs. 2,041 million from Rs. 1,074 million in fiscal 2002 as a result of the factors discussed above, and was 4% and 2% of our net sales in fiscal 2003 and 2002, respectively.

Adjusted Profit

Adjusted profit during fiscal 2003 was Rs. 1,841 million which was lower by Rs. 200 million compared to the net profit after tax as per audited statement of accounts for the same fiscal year. The restatement of profit was on account of adjustments relating to the additional provision of deferred tax liability of Rs. 750 million for fiscal 2003 and the removal of an extraordinary expense of Rs. 567 million on account of a water charges settlement with the Government of Gujarat which related to previous years but was accounted for in fiscal 2003 in our audited accounts. We reallocated these expenses to the applicable prior fiscal years in the restated accounts. Adjusted profit was 4% and 1% of our net sales in fiscal 2003 and 2002, respectively.

COMPARISON OF FISCAL 2002 TO FISCAL 2001

Income

Our total income decreased by 5.2% to Rs. 48,718 million in fiscal 2002 from Rs. 51,408 million in fiscal 2001.

Net Sales

In fiscal 2002 and 2001, net sales of products manufactured by us constituted over 99% of our net sales. Net sales of polymers, fibres and fibre intermediates and chemicals constituted 74%, 10% and 15%, respectively, of our net sales in fiscal 2002, compared to 74%, 11% and 14%, respectively, in fiscal 2001.

Our net sales decreased by 5% to Rs. 47,399 million in fiscal 2002 from Rs. 50,060 million in fiscal 2001, primarily on account of lower international prices of our products throughout the year. Even though the sales volume of our major products increased by 6% in fiscal 2002 compared to fiscal 2001, this was outweighed by the decline in the prices of our products during fiscal 2002. Net sales of polymers decreased by 5% to Rs. 34,976 million from Rs. 36,878 million, net sales of fibres and fibre intermediates decreased by 9% to Rs. 4,949 million from Rs. 5,449 million and net sales of chemical products remained stable at Rs. 7,069 million compared to Rs. 7,052 million in fiscal 2001. Exports of products manufactured by us decreased to Rs. 1,840 million in fiscal 2002 from Rs. 2,908 million in fiscal 2001.

Other Income

Other income decreased by 2% to Rs. 1,319 million in fiscal 2002 from Rs. 1,348 million in fiscal 2001. The decrease was on account of a number of factors, including a decrease of Rs. 402 million in miscellaneous receipts in fiscal 2002 and a decrease of Rs. 145 million in income from the sale of scrap in fiscal 2002. These were partially offset by an increase in profit on sales of assets and interest income of Rs. 77 million and Rs. 226 million, respectively, in fiscal 2002 compared to fiscal 2001. The increase in interest income in fiscal 2002 was because of higher cash balances maintained by us in foreign currency for servicing debt obligations, and interest income from short term deposits.

Expenditure

Total expenditure decreased by 1% to Rs. 48,020 million in fiscal 2002 compared to Rs. 48,669 million in fiscal 2001 and expenditure before variation in stocks decreased by 7% to Rs. 46,092 million in fiscal 2003 compared to Rs. 49,429 million in fiscal 2001. In fiscal 2002, total expenditure was 101% of our net sales compared to 97% in fiscal 2001.

Raw Materials Consumed

Raw materials constituted approximately 40% and 38% of our expenditure before variation in stocks and approximately 39% and 37% of our net sales in fiscal 2002 and 2001, respectively. Consumption of raw materials decreased by 1% to Rs. 18,380 million in fiscal 2002 from Rs. 18,598 million in fiscal 2001, even though production increased by 9% in fiscal 2002 compared to fiscal 2001. This was in line with the overall decline in petrochemical prices, which resulted in lower prices for our main feedstocks in fiscal 2002 compared to fiscal 2001. During fiscal 2002, prices of our major feedstocks, namely naphtha and propane, were 6% and 16% lower, respectively, compared to fiscal 2001 and the prices of ethane/propane mix and rich gas remained unchanged.

Other Manufacturing Expenses

Other manufacturing expenses constituted approximately 17% and 20% of total expenditure and approximately 18% and 19% of our net sales in fiscal 2002 and 2001, respectively. Other manufacturing expenses decreased by 12% to Rs. 8,401 million in fiscal 2002 from Rs. 9,548 million in fiscal 2001, primarily due to a reduction in fuel cost and repairs and maintenance cost. During fiscal 2002, improved availability of internally generated fuels resulted in the reduced consumption of naphtha as fuel. Further, repairs and maintenance cost was lower by Rs. 250 million in fiscal 2002 compared to fiscal 2001 because we better planned the timing of repairs and maintenance programmes.

Employee Remuneration and Benefits

Employee remuneration and benefits decreased 9% to Rs. 4,027 million in fiscal 2002 from Rs. 4,402 million in fiscal 2001. Salaries and wages were higher in fiscal 2001 mainly because of a non-recurring expenditure of Rs. 659 million on account of a wage settlement with our employees relating to prior periods, as well as higher leave encashment expenses. These decreases were partially offset by a Rs. 375 million increase in salaries and wages in fiscal 2002 due to the wage revision implemented in fiscal 2001 as a result of collective bargaining negotiations with our unions.

An amount of Rs. 1,470 million payable on account of the wage settlement for periods prior to fiscal 2002 were charged to our audited profit and loss account in fiscal 2002 and a matching amount was withdrawn from the general reserve. This has been restated in the financial statements included in this Preliminary Sale Document and charged to the respective years to which the wage settlement amounts related.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 3% to Rs. 2,733 million in fiscal 2002 from Rs. 2,831 million in fiscal 2001. Our freight costs on sales and our provision for doubtful debts were Rs. 51 million and Rs. 164 million lower respectively in fiscal 2002 compared to fiscal 2001. These decreases were partially offset by a Rs. 118 million increase in our provision for cash discounts and commissions to distributors and others in fiscal 2002 compared to fiscal 2001.

Interest

Interest expense constituted approximately 8% and 10% of total expenditure and approximately 8% and 10% of net sales for fiscal 2002 and 2001, respectively. Interest expense decreased by 24% to Rs. 3,796 million in fiscal 2002 from Rs. 4,968 million in fiscal 2001, primarily because of the reduction in our outstanding debt by Rs. 6,206 million (comprising Rs. 3,637 million in secured debt and Rs. 2,569 million in unsecured debt) during fiscal 2002. The repayment of outstanding debt during fiscal 2002 included the redemption of our foreign currency convertible bonds of Rs. 7,282 million.

Depreciation

Depreciation constituted approximately 9% of total expenditure and approximately 9% and 8% of net sales for fiscal 2002 and 2001, respectively. Depreciation increased by 2% to Rs. 4,244 million in fiscal 2002 from Rs. 4,149 million in fiscal 2001. This increase was primarily on account of an increase in fixed assets by Rs. 1,664 million in fiscal 2002, which included Rs. 1,349 million increase on account of foreign exchange variations capitalised during fiscal 2002.

Net Profit before Extraordinary, Non-recurring and Prior Period Items

Net profit before extraordinary, non-recurring and prior period items decreased to Rs. 698 million in fiscal 2002 from Rs. 2,739 million in fiscal 2001 as a result of reasons stated above, and was 1% and 5% of net sales for fiscal 2002 and 2001, respectively.

Extraordinary, Non-recurring and Prior Period Items

During fiscal 2002, we had an extraordinary/prior period income of Rs. 408 million compared to an extraordinary/ prior period expense of Rs.19 million in fiscal 2001. The extraordinary/prior period income in fiscal 2002 was mainly due to the capitalisation of Rs. 485 million in losses on forward exchange contracts for hedging foreign currency borrowings incurred for the acquisition of fixed assets for the Gandhar complex, which were charged to our Profit and Loss account in previous years. Furthermore, when we capitalised these losses, we had to provide for Rs. 81 million in depreciation for the applicable prior years.

Provision for Current Tax and Deferred Tax

During fiscal 2002, we had a credit of Rs. 56 million on account of current tax compared to a provision of Rs. 231 million on account of current tax in fiscal 2001. The credit on account of current tax in fiscal 2002 was due to excess provisions made in earlier years and tax refunds received during fiscal 2002. During fiscal 2002, we changed the accounting policy for taxes on income in accordance with a new accounting standard AS 22 "Accounting for Taxes on Income". Accordingly the deferred tax liabilities in respect of the earlier years at the MAT rate was charged to the general reserves and the deferred tax liability pertaining to fiscal 2002 of Rs. 88 million at MAT rates was charged to the Profit and Loss account.

Net Profit after Tax as per Audited Statement of Accounts

Net profit after tax as per audited statement of accounts for fiscal 2002 decreased to Rs. 1074 million from Rs. 2489 million in fiscal 2001 as a result of the factors discussed above, and was 2% and 5% of our net sales for fiscal 2002 and 2001, respectively.

Adjusted Profit

Adjusted profit during fiscal 2002 was Rs. 681 million, which was lower by Rs. 393 million compared to the net profit after tax as per audited statement of accounts for the same fiscal year. The restatement of profit was on account of adjustments relating to the reallocation of Rs. 408 million in prior period income and Rs. 56 million in tax refunds relating to earlier years, from fiscal 2002 to the applicable prior years, and recognition of deferred tax assets of Rs. 243 million for fiscal 2002 at normal tax rates instead of the MAT rate as stated in the audited statements of accounts for fiscal 2002. Adjusted profit was 1% and 3% of our net sales for fiscal 2002 and 2001, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Historically, our primary liquidity requirements have been to finance our working capital needs and our capital expenditures. To fund these costs, we have relied on cash flows from operations and short-term and long-term borrowings.

We meet our 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, we issue short term debt in the form of commercial paper, fixed and floating rate bonds in Indian Rupees and foreign currency non resident borrowing loans. Our net working capital (which we define as current assets, loans and advances, less current liabilities and provisions) was Rs. 3,281 million as of December 31, 2003.

Pursuant to a shareholders' resolution adopted in fiscal 2003, our foreign currency and domestic borrowings cannot exceed Rs. 70,000 million in the aggregate at any one time. This limit can be increased with shareholder approval.

Our outstanding long term debt amounted to Rs. 12,844 million as of December 31, 2003. Approximately Rs. 11,751 million of this long term debt as of December 31, 2003 constituted secured debentures, bonds and loans issued in the Indian market. We have granted security interests over all our properties (except for some leased lands) under deeds of trust executed in connection with issuance of these secured debentures, bonds and loans. In addition, as of December 31, 2003, we had approximately Rs. 1,093 million of unsecured long term debt. The following table shows the aggregate principal amount of long term debt outstanding (including current portion) as of December 31, 2003. These long term debt instruments are described in further detail under "Other Particulars About Us" in this Preliminary Sale Document.

Currency of Loan	Aggregate Principal Amount Outstanding as of December 31, 2003 (Rs. million)
Rs.	6,295
US $	5,781
Japanese Yen	257
Euro	511

We have standby credit facilities of Rs. 9,000 million with Indian commercial banks. Approximately Rs. 2,325 million of these facilities was undrawn as of December 31, 2003.

In fiscal 2003, we reduced our outstanding debt by Rs. 3,891 million to reduce our interest expense. In the nine month period of fiscal 2004, we repaid Rs. 9,550 million of debt to further reduce our interest cost. As a result, our interest expense (excluding finance charges on leased assets) declined 22% to Rs. 2,958 million in fiscal 2003 from Rs. 3,796 million in fiscal 2002. The interest expense (excluding finance charges on leased assets) for the nine month period of fiscal 2004 decreased by 21% to Rs. 1,910 million from Rs. 2,410 million in the nine month period of fiscal 2003. In August 2003, we entered into a loan facility of US$ 100 million equivalent as part of our "external commercial borrowing" programme. This facility was used for general corporate purposes, including the refinancing of existing high cost debt.

During fiscal 2003, the credit rating of our long term debt was upgraded one notch to "AA" by CRISIL Ltd., India's premier credit rating agency. Our short term debt programme is rated P1+ by CRISIL Ltd., the highest credit rating that CRISIL Ltd. assigns to this category of instruments.

We believe that our anticipated cash flows from operations, together with our existing cash and issuance of short term and long term debt, will be sufficient to meet our working capital and capital expenditure requirements.

However, our operating results and access to funds are subject to market conditions, interest rates and other factors outside our control.

Cash Flows

The table below summarises our cash flows for fiscal 2001, 2002 and 2003 and for the nine month periods of fiscal 2003 and 2004:

(Rs. million)

Cash Flows	Fiscal 2001	Fiscal 2002	Fiscal 2003	Nine month period of	
				Fiscal 2003	Fiscal 2004
Net Cash from Operating Activities	10,135	10,974	6,736	6,358	13,909
Net Cash used in Investing Activities	(789)	(5,225)	(1,604)	(383)	(674)
Net Cash used in Financing Activities	(9,738)	(6,920)	(7,261)	(7,430)	(13,207)
Effect of Exchange Differences on Cash and Cash Equivalents	18	11	-	-	-
Net Decrease in Cash and Cash Equivalents	(374)	(1,160)	(2,129)	(1,455)	28

Note: In our audited statements of accounts until the end of fiscal 2003, increase in liabilities for leased assets was considered as an increase in trade payables and hence a part of operating activities. In the restated cash flow statements presented in this Preliminary Sale Document on which this discussion is based, increase in liabilities for leased assets has been considered as part of financing activities and presented as a separate line item under “Cash Flow from Financing Activities”.

Operating Activities

Our cash flow from operating activities is influenced primarily by our operating profit and changes in our working capital requirements.

Our net cash flow from operating activities increased by 119% to Rs. 13,909 million in the nine month period of fiscal 2004 from Rs. 6,358 million in the nine month period of fiscal 2003 even though our operating profit was virtually unchanged at Rs. 8,010 million compared to Rs. 8,005 million. The reason for this was our lower working capital requirements in the nine month period of fiscal 2004, primarily because of an increase in trade payables of Rs. 9,270 million, which was partly offset by an increase in trade receivables of Rs. 2,672 million and an increase in inventory of Rs. 639 million. The increase in trade payables was due to the higher credit period on purchase of goods for trading, while the increase in trade receivables was on account of higher export sales, which typically have a higher credit period. The increase in inventory was commensurate with our increase in sales of both manufactured and traded products.

Our net cash flow from operating activities decreased by 39% to Rs. 6,736 million in fiscal 2003 from Rs. 10,974 million in fiscal 2002 even though our operating profit increased by 40% to Rs. 11,537 million in fiscal 2003 from Rs. 8,261 million in fiscal 2002. The reason for this was our higher working capital requirements in fiscal 2003, primarily because increased production, combined with insufficient domestic demand, led to an increase in inventory.

Our net cash flow from operating activities increased by 8% to Rs. 10,974 million in fiscal 2002 from Rs. 10,135 million in fiscal 2001 even though our operating profit decreased by 32% to Rs. 8,261 million from Rs. 12,221 million in fiscal 2001. The reason for this was our lower working capital requirements in fiscal 2002, primarily because low prices of our products and the consequent increased demand led to low inventories and trade receivables. Furthermore, trade payables were higher on account of provision for redemption of certain debentures.

Investing Activities

Our net cash flow used in investing activities depends on the purchase and sale of fixed assets and investments and interest on investments.

Our net cash used in investing activities increased by 76% to Rs. 674 million in the nine month period of fiscal 2004 from Rs. 383 million in the nine month period of fiscal 2003. Cash flow used in investing activities was higher in the nine month period of fiscal 2004 compared to the corresponding period in fiscal 2003 primarily due to a net purchase of fixed assets of Rs. 140 million in the fiscal 2004 period compared to a net sale of fixed assets of Rs. 53 million in the fiscal 2003 period, and the net purchase of investments of Rs. 682 million in the nine month period of fiscal

2004 compared to the net purchase of investments of Rs. 524 million in the corresponding period of fiscal 2003. These increases were partly offset by higher interest income of Rs. 148 million in the nine month period of fiscal 2004 compared to interest income of Rs. 88 million in the nine month period of fiscal 2003.

Our net cash used in investing activities decreased by 69% to Rs. 1,604 million in fiscal 2003 from Rs. 5,225 million in fiscal 2002, primarily due to lower expenditure incurred for the purchase of fixed assets and higher sale of investments. Net purchase of fixed assets amounted to Rs. 2,009 million in fiscal 2003 compared to a net purchase of Rs. 5,803 million in fiscal 2002. The purchase of fixed assets was high in fiscal 2002 because of a Rs. 4,989 million increase in leased assets during that fiscal year. During fiscal 2003, our net sale of investments was Rs. 241 million compared to a net purchase of investments of Rs. 50 million in fiscal 2002. The decrease in investing activities was partly offset by lower interest income of Rs. 164 million in fiscal 2003 compared to Rs. 628 million in fiscal 2002. The decrease in interest income in fiscal 2003 was due to lower cash and bank balances maintained in fiscal 2003.

Our net cash of Rs. 5,225 million used in investing activities in fiscal 2002 was 562% higher compared to Rs. 789 million used in investing activities in fiscal 2001, primarily on account of higher purchases of fixed assets. Net purchases of fixed assets of Rs. 5803 million in fiscal 2002 was 591% higher compared to Rs. 840 million in fiscal 2001. This increase was partly offset by lower purchases of investments of Rs. 50 million in fiscal 2002 compared to Rs. 350 million in fiscal 2001.

Financing Activities

Our net cash flow from/used in financing activities depends on the increase or decrease in our outstanding debt, liability for leased assets, dividend payments, interest payments and lease rental payments on assets such as plants, machinery and pipelines.

Our net cash used in financing activities increased by 78% to Rs. 13,207 million in the nine month period of fiscal 2004 from Rs. 7,430 million in the nine month period of fiscal 2003, primarily because of net repayments of our outstanding debt in an amount of Rs. 9,524 million in the nine month period of fiscal 2004 compared to net repayments of Rs. 3,615 million of debt in the corresponding period in fiscal 2003. We also paid dividends and dividend tax of Rs. 636 million in the nine month period of fiscal 2004 compared to dividends of Rs. 493 million in the nine month period of fiscal 2003.

Our net cash used in financing activities increased by 5% to Rs. 7,261 million in fiscal 2003 from Rs. 6,920 million in fiscal 2002, primarily because our liability for leased assets increased by only Rs. 787 million in fiscal 2003 compared to an increase of Rs. 4,853 million in fiscal 2002, as well as the payment of a finance charge of Rs. 732 million on leased assets in fiscal 2003 compared to Rs. zero in fiscal 2002. This was partly offset by a net repayment of Rs. 3,747 million of debt in fiscal 2003 compared to a net repayment of Rs. 6,206 million of debt in fiscal 2002, interest payments of Rs. 3,072 million in fiscal 2003 compared to Rs. 4,750 million in interest and premium on redemption of bonds in fiscal 2002, as well as lower dividend and dividend tax payments of Rs. 497 million in fiscal 2003 compared to Rs. 817 million in fiscal 2002.

Our net cash used in financing activities of Rs. 6,920 million in fiscal 2002 was 29% lower than the Rs. 9,738 million used in financing activities in fiscal 2001. This was primarily because of an increase in liability for leased assets by Rs. 4,853 million in fiscal 2002 compared to Rs. zero in fiscal 2001, as well as lower interest and premium on redemption of bonds of Rs. 4,750 million in fiscal 2002 compared to Rs. 5,095 million interest and premium on redemption of bonds in fiscal 2001. This was partly offset by higher net repayment of debt of Rs. 6,206 million in fiscal 2002 compared to a net repayment of Rs. 3,973 million of debt in fiscal 2001, as well as a higher dividend and dividend tax payment of Rs. 817 million in fiscal 2002 compared to Rs. 670 million in fiscal 2001.

Dividends

Our dividend payout and tax on dividend payout for fiscal 2003, 2002 and 2001 were as follows:

	Fiscal 2003	Fiscal 2002	Fiscal 2001
Dividend per equity share (Rs.)	2.25	2.00	3.00
Dividend Payout (Rs. million)	559	496	745
Dividend Tax (Rs. Million)	71	0	76

The dividend tax payable by us is based on the tax rates announced by the Government from time to time. We determine our dividend payouts to our shareholders on the basis of a variety of considerations, such as our profitability and need for capital.

Capital Expenditures

Capital expenditures represent the increase in the value of our fixed assets plus changes in capital work in progress (i.e., expenses incurred in relation to work in progress but not capitalised) and advance payments on account of capital expenditures. Our capital expenditures in fiscal 2003, fiscal 2002 and fiscal 2001 were Rs. 2,315 million, Rs. 5,967 million and Rs. 1,008 million, respectively. Our capital expenditures in the nine month period of fiscal 2004 was Rs 144 million. These expenditures were incurred towards minor expansions of capacity, replacement of certain assets and increase in assets taken on lease. We expect to incur capital expenditures of approximately Rs. 3,500 million over the next four fiscal years on, among other things, the following projects:

- Vadodara complex: Expansion of cracker capacity by 40,000 tonnes, benzene capacity by 20,000 tonnes, ACN capacity by 8,000 tonnes, PP capacity by 15,000 tonnes and PBR capacity by 15,000 tonnes.
- Gandhar complex: Expansion of PVC capacity by 135,000 tonnes, MEG capacity by 39,000 tonnes and EDC capacity by 25,000 tonnes.
- Nagothane complex: Expansion of PP capacity by 15,000 tonnes.

We expect to fund our capital expenditures through a combination of cash flow from operations and external borrowings as may be required. We may increase or decrease the amount of our planned capital expenditures, decide to incur other capital expenditures or cancel currently planned capital expenditures depending on market conditions, product demand, the cost, availability and quality of feedstocks, our financial results, availability of financing on favourable terms and interest rates, among others.

Indebtedness and Certain Other Contractual Obligations

The following table and discussion summarise our significant indebtedness and certain other contractual obligations as of December 31, 2003. The debt instruments referred to below are discussed in further detail under "Other Particulars About Us" in this Preliminary Sale Document.

(Rs. million)

Obligations	Total	Payments due by March 31,			
		2004	2005	2006-2010	Beyond 2010
Long-Term Debt	12,844	255	3,842	8,747	Nil
Capital Lease Obligations	11,722	266	1,063	4,682	5,711
Operating Leases	3,150	213	850	2062	25

Note: The table does not include our purchase commitments under supply or other contracts.

The electric power required for the operation of our Gandhar complex is supplied by a power plant set up exclusively for the complex by India Infrastructure Developers Limited ("IIDL"), which is a subsidiary of Larsen & Toubro Limited, a leading producer of power generation equipment in India. We have an 18 year lease agreement with IIDL, including a non-cancellable minimum contract period of eight years from November 1999. At the end of 8 years, we have the option to acquire the power generation equipment for a residual value of Rs. 35.8 million or to continue the lease at an annual payment of Rs. 4.4 million. The approximate value of the lease rentals payable during the non-cancellable period of eight years is Rs. 6,250 million. We are currently party to arbitration proceedings where we have claimed liquidated damages of Rs. 240 million from Larsen & Toubro for the delay in commissioning the power plant. IIDL has counterclaimed in respect of certain rental payments totalling Rs. 457 million. We have further counterclaimed Rs. 1,558 million in respect of our high cost of power supply and loss of production resulting from the delay in commissioning the plant.

We, along with other entities affiliated with the government of Gujarat, have promoted Gujarat Chemical Port Terminal Company Limited ("GCPTCL"), which is an infrastructure company that owns a liquid cargo handling port facility and storage facility at Dahej near Gandhar. We have invested Rs. 844 million in GCPTCL as of March 31, 2003. We have also provided a financial guarantee of Rs. 1,400 million in favour of ICICI Bank, as security for the discharge of financial obligations to ICICI Bank by GCPTCL. ICICI Bank has claimed Rs. 241 million from us under this guarantee. See "Recent Developments" above. In September 2000, we entered into an agreement with GCPTCL for utilising the Dahej facility for the handling and storage of various products like naphtha, propane, propylene, butadiene and normal paraffin. Under the agreement, we have guaranteed a minimum quantity of various products that will be handled by GCPTCL every quarter, and our annual rental payment based on the guaranteed minimum quantity is Rs. 842 million.

In February 2000, we entered into a "Built Own Operate and Transfer" agreement with Pipeline Infrastructure (India) Limited (previously known as Dodsal Infrastructure Limited) ("PIIL"), relating to the semi rich gas pipeline from Hazira to Dahej and the lean gas pipeline from Dahej to Hazira. The agreement is valid for a period of 15 years, after which we can acquire the pipelines by paying Rs. 10 million to PIIL. Under the agreement we are required to pay PIIL transportation charges for the usage of the pipeline. We have guaranteed a minimum transportation of 150 million standard cubic meters of semi rich gas and 125 million standard cubic meters of lean gas every month through the pipelines. At the applicable rate of Rs. 250,000 per million standard cubic meters per month, the minimum guaranteed payment to PIIL is Rs. 824 million per year.

In March 2003, we entered into a lease agreement with ICICI Bank to use of the Dahej - Gandhar - Vadodara pipeline systems for the transportation of naphtha, ethylene and propylene between Dahej, Gandhar and Vadodara. The lease period is 24 years with effect from March 2003, including an initial non-cancellable period of eight years. We expect that our annual lease payment (representing principal, interest and depreciation) will equal approximately Rs. 240 million for the current fiscal year.

Pursuant to an agreement entered into in July 1995, we provided financial assistance to Hindustan Aegis Liquid Petroleum Gases ("HALPG") for setting up a cryogenic storage facility near Pir Pau Jetty near Nagothane for the storage of imported propane for our Nagothane complex. The financial assistance of Rs. 570 million consisted of an interest free advance of Rs. 250 million and an interest bearing advance of Rs. 320 million. Under the July 1995 agreement, which is valid until February 2008, HALPG is required to pay us Rs. 72 million per year as principal and interest on the interest bearing advance and Rs. 25 million per year as principal on the interest free advance. We agreed to make rental payments to HALPG for usage of the tanks. The rental payable was based on the higher of the actual storage volume and the minimum guaranteed volume of 6,667 tons per month. The original agreement was amended with effect from September 1, 2003. Under the revised agreement, our minimum commitment is Rs. 128.3 million per year based on a minimum guaranteed volume of 95,000 tones per year.

TRANSACTIONS WITH RELATED PARTIES

We have entered into transactions for the purchase of raw materials and goods and the sale of products with RIL which, together with RPiL, our controlling shareholder, are members of the Reliance Group. The aggregate amount of our transactions with RIL was Rs. 8,610 million in fiscal 2003 and Rs. 22,005 million in the nine month period of fiscal 2004, during which period purchases of raw materials (particularly naphtha) from RIL amounted to Rs. 10,058 million and purchases of traded goods from RIL amounted to Rs. 11,947 million. We believe that these transactions are on an arms length basis at prices and terms that are comparable to prevalent market prices and terms. We have also invested Rs. 844 million in the GCPTCL joint venture, of which we are the largest shareholder, and are required to make payments amounting to Rs. 842 million per year for the use of its facilities in Gandhar. We have issued a financial guarantee of Rs. 1,400 million in favour of ICICI Bank on behalf of GCPTCL, under which ICICI Bank has claimed Rs. 241 million from us. For further details, see "Related Party Transactions" on page 159 of this Preliminary Sale Document.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk

We face exchange rate risk to the extent that our receivables and payables are denominated in currencies other than Indian rupees. We import raw materials, equipment, components and spare parts for our manufacturing and other business activities. All these costs are denominated in foreign currencies, primarily U.S. Dollars. Our aggregate cost of imported raw materials was Rs. 6,195 million, Rs. 9,526 million and Rs. 7,414 million in fiscal 2003, 2002 and 2001 respectively. The aggregate cost of imported raw materials during the nine month period of fiscal 2004 was Rs. 4,696 million . We also export our products to many countries, and our export receivables are denominated in foreign currencies. Our aggregate value of exports was Rs. 4,238 million, Rs. 1,840 million and Rs. 2,908 million in fiscal 2003, 2002 and 2001, respectively. Our aggregate value of exports was Rs. 15,654 million during the nine month period of fiscal 2004 compared to Rs.3,006 million in the corresponding period of fiscal 2003. Furthermore, we sell many of our products in the Indian market at import parity prices, which are based on international prices and are therefore subject to exchange rate fluctuations.

In addition, we have debt denominated in foreign currencies, primarily U.S. Dollars, Euros and Japanese Yen, and the interest and principal repayments on this debt are denominated in foreign currencies. We had US$ 144 million equivalent foreign currency loans outstanding as of December 31, 2003.

Appreciation or depreciation of the Indian rupee relative to the currencies of our payables and receivables can increase our payment obligations or reduce our export sales. We enter into foreign exchange forward and derivative contracts from time to time to hedge these risks, but these contracts may not protect us fully from losses due to fluctuations in foreign exchange rates

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may materially affect our debt service obligations and our access to funds. As of December 31, 2003, we were subject to interest rate risk with respect to the following long-term debts, the terms of which are described in further detail under "Details of Borrowings by Our Company" in this Preliminary Sale Document:

Debt	Amount (Rs. million equivalent)
SBI Bahrain	461
Barclays Bank Loan	511
Citibank Syndicated Loan	988
US Exim Bank	4,589
Total	6,549

Inflation

Inflation has not had a significant effect on the results of our operations to date. Based on historical inflation rates in India, we do not expect that inflation rates in India will have a significant impact on our results of operations in the foreseeable future.

MATERIAL LEGAL PROCEEDINGS

For details see "Outstanding Litigation and Material Developments" on page 185, as well as "Risk Factors as Perceived by the Company" on page 14, of this Preliminary Sale Document.

CHANGES IN ACCOUNTING POLICIES

Until March 31, 2002, we had provided for deferred tax at the minimum alternate rate of tax of 7.5% . The shortfall in the provision for deferred tax as of April 1, 2001 of Rs. 6830 million, based on the normal tax rate, has been charged to our revenue reserves. During fiscal 2004, we changed our basis of providing depreciation from the "straight line" method to the "written down method" in respect of certain assets at the Vadodara complex. As a result of this change, there was an additional depreciation charge of Rs. 2,140 million in respect of earlier years and an equivalent amount has been withdrawn from our general reserves

For accounting periods beginning on April 1, 2004, a new accounting standard AS 28 will require companies to assess whether any assets are impaired at each balance sheet date. If there is an indication that assets may be impaired, the company is required to estimate the recoverable amount of the assets. If the recoverable amount is less than the assets' carrying value, the carrying value is required to be written down to the recoverable amount, and the reduction is required to be reported as an impairment loss. We are currently assessing the impact that AS 28 may have on our financial statements.

OUR MANAGEMENT

Board of Directors

S. K. Anand, our Whole-Time Director, is also our Chief Executive Officer. He conducts the day-to-day operations of our Company under the overall supervision and direction of our Board. Under our Articles of Association, we cannot have fewer than three nor more than 16 Directors. We currently have 12 Directors.

The following table sets forth certain details regarding the members of our Board as of the date hereof:

Name, Designation, Father's Name, Address, Occupation and Term	Date of Birth and Age	Other Directorships
Mukesh D. Ambani **Chairman** (S/o (Late) Shri Dhirubhai H. Ambani) Sea Wind, 39, Cuffe Parade, Colaba, Mumbai 400 005 Industrialist Non-executive Chairman retiring by rotation	April 19, 1957 46 years	Reliance Industries Limited, Chairman and Managing Director Reliance Infocomm Limited, Chairman and Managing Director Reliance Communication Infrastructure Limited Reliance Europe Limited
Anil D. Ambani (S/o (Late) Shri Dhirubhai H. Ambani) Sea Wind, 39, Cuffe Parade, Colaba, Mumbai 400 005 Industrialist Non-executive Director retiring by rotation	June 4, 1959 44 years	Reliance Industries Limited, Vice Chairman and Managing Director BSES Limited, Chairman and Managing Director Indian School of Business Reliance Europe Limited
Nikhil R. Meswani (S/o (Late) Shri Rasiklal L. Meswani) 242, Rambha Apartment, 66, Napean Sea Road, Mumbai 400 006 Industrialist Non-executive Director retiring by rotation	February 13, 1966 37 years	Reliance Industries Limited
Anand J. Jain (S/o Shri Jaikumar Jain) A-13, Sterling Apartments, 38, Pedder Road, Mumbai 400 026 Businessman Non-executive Director retiring by rotation	January 14, 1957 47 years	Free Press House Limited Observer India Limited Reliance Capital Limited Reliance Transport and Travels Limited Reliance Capital Asset Management Limited Reliance Infocomm Limited Ruchi Properties Pvt. Limited Surela Investment and Trading Pvt. Limited Tally Solutions Pvt. Limited
Kamal P. Nanavaty (S/o (Late) Shri Pantilal B. Nanavaty) 61, Radheya Building, Plot No. 359, 14th Khar Road, Khar (West), Mumbai 400 052 Service Non-executive Director retiring by rotation	November 22, 1945 58 years	Reliance Utilities and Power Limited Reliance Shipping Limited Reliance Assam Petrochemicals Limited Reliance Rubbers and Chemicals Pvt. Limited Reliance Photo Films Pvt. Limited Reliance Oil and Gas Pvt. Limited Reliance Global Trading Pvt. Limited

Name, Designation, Father's Name, Address, Occupation and Term	Date of Birth and Age	Other Directorships
Ramesh Inder Singh (S/o Shri Joginder Singh) D.8.1, MS Flats, Sector-13, R.K. Puram, New Delhi 110 020 Government Service Government Nominee Director retiring by rotation	September 9, 1949 54 years	Hindustan Organic Chemicals Limited Hindustan Insecticides Limited
Gurdial S. Sandhu (S/o (Late) Shri A.S. Sandhu) No. 6, Rajasthan House, Prithviraj Road, New Delhi 110 011 Government Service Government Nominee Director retiring by rotation	September 11, 1955 48 years	Hindustan Organic Chemicals Limited
Rajendra S. Lodha (S/o (Late) Shri Jaswant Singh Lodha) 8, National Tower, 13, Louden Street, Kolkata 700 017 Chartered Accountant Independent Director retiring by rotation	September 6, 1942 61 years	Alfred Herbert (India) Limited Birla Corporation Limited First Capital India Limited Hindustan Gum and Chemicals Limited Lodha Capital Markets Limited National Securities Depository Limited The Punjab Produce Holdings Limited SBI Life Insurance Co. Limited Twenty First Century Printers Limited UTI Securities Exchange Limited Vindhya Telelinks Limited Henkel SPIC India Limited PNB Gilts Limited Baroda Agents and Trading Co. Pvt. Limited BDO Lodha Pvt. Limited East India Investment Co. Pvt. Limited Gwalior Webbing Co. Pvt. Limited La Crème De La Crème Services Pvt. Limited The Punjab Produce and Trading Co. Pvt. Limited Swiss India Financial Services Co. Pvt. Limited City Holdings Limited, Alternate Director Henry F. Cockill and Sons Limited Terriswood Limited Thai Acrylic Fibre Co.Limited LNM Holdings N.V.

Name, Designation, Father's Name, Address, Occupation and Term	Date of Birth and Age	Other Directorships
Shailesh V. Haribhakti (S/o Shri Vishnubhai B. Haribhakti) 7 Firdaus, 4th floor, Bhulabhai Desai Road Mumbai 400 028 Chartered Accountant Independent Director retiring by rotation	March 12, 1956 47 years	GIC Assets Management Co. Limited IDBI Capital Market Services Limited Kotak Mahindra Pvt Equity Trustees Limited Ambuja Cement Eastern Limited Vidyavihar Containers Limited Pantaloon Retail (India) Limited Steelage Industries Limited Gujarat Adani Port Limited JBF Industries Limited Alliance Capital Asset Management (India) Pvt. Limited Moores Rowland Consulting Pvt. Limited Haribhakti Certification Pvt. Limited Advantage E-Accounting (I) Pvt. Limited Advantage Comfort Pvt. Limited Advantage Moti (I) Pvt. Limited E-Biz Chem Pvt. Limited Haribhakti MRI Corporate Services Pvt. Limited
Lalit R. Bhasin (S/o (Late) Shri T. R. Bhasin) 10th Floor, Dakshineshwar Building, 10, Hailey Road, New Delhi 110 001 Lawyer Independent Director retiring by rotation	January 19, 1939 65 years	Godfrey Phillips India Limited Bharat Hotels Limited India Gypsum Limited Bell Ceramics Limited Asian Hotels Limited Ansal Properties and Industries Limited Modicare Pvt. Limited American Express (I) Pvt. Limited
Sandeep H. Junnarkar (S/o Shri Hemendra Junnarkar) 1702, Wallace Apartments, 1, Naushir Bharucha Rd., Mumbai 400 007 Lawyer Independent Director retiring by rotation	July 2, 1951 52 years	Jai Corp. Limited Reliance Industrial Infrastructure Limited Reliance Industrial Investments and Holdings Limited Sterlite Industries (India) Limited Sunshield Chemicals Limited Ambuja Cement India Limited Reliance Life Insurance Company Limited Reliance Ports and Terminals Limited Reliance Capital Limited Tilaknagar Industries Limited Ambuja Cement Rajasthan Limited IL&FS Infrastructure Development Corporation Limited Excel Crop Care Limited Reliance Entertainment Pvt. Limited
Sandesh K. Anand Whole-time Director (S/o (Late) Shri Jagannath) A-17, Chanakyapuri, New Sama Road, Vadodara 390 008 Not liable to retire by rotation Tenure expires on June 3, 2007. (As per Agreement dated September 27, 2002)	December 10, 1942 61 years	Gujarat Chemicals Port Terminal Company Limited - Managing Director Effluent Channel Projects Limited

Details of Directors

Mukesh D. Ambani, Chairman of our Company, age 46 years, is also the Chairman and Managing Director of RIL, the flagship company of one of India's largest business groups, founded by Late Shri Dhirubhai H. Ambani. Mr. Ambani holds a Bachelor's Degree in Chemical Engineering from the University Department for Chemical Technology (UDCT) and MBA from Stanford University, USA. He joined RIL in 1981 and initiated RIL's backward integration from textiles into polyester fibres and further into petrochemicals. He is a member of Prime Minister's Advisory Council on Trade and Industry, Government of India, Council of Scientific and Industrial Research (CSIR), India, Board of Governors of National Council of Applied Economic Research (NCAER), Advisory Council of Indian Banks' Association and is the Chairman, Board of Trustees of the Indian Institute of Software Engineering. He is also the Chairman and Managing Director of Reliance Infocomm Limited.

Anil D. Ambani, age 44 years, is also the Vice Chairman and Managing Director of Reliance Industries Limited, India's largest business house, founded by Late Shri Dhirubhai H. Ambani. Mr. Ambani is a Bachelor of Science, University of Bombay and MBA from the Wharton School of Business, University of Pennsylvania, USA. He joined RIL in 1983 as Co-Chief Executive Officer. He is a Member of Wharton Board of Overseers. He is also the Chairman and Managing Director of BSES Limited.

Nikhil R. Meswani, age 37 years, holds a degree in chemical engineering from University Department for Chemical Technology. Mr. Meswani is the son of late Shri Rasiklal Meswani, one of the founding directors of RIL. He joined RIL at an early age and since 1990, he has been an Executive Director on the Board of RIL, with overall responsibility of the petrochemicals division. Mr. Meswani is currently Chairman of Asian Chemical Fibre Industries Federation and President of Association of Synthetic Fibre Industry. He is also a Member of Young President's Organisation (YPO).

Anand J. Jain, age 47 years, is a graduate from Mumbai University with a course in Risk Management at the London Business School. He is also on the Board of Trustees of Mumbai Port Trust. He is an active member of Young President's Organisation and is the Honorary Counsel of Mongolia in Mumbai, and is a Member of Managing Council of HNH Hospital and Research Centre, Mumbai.

Kamal P. Nanavaty, age 58 years, holds a degree in Chemical Engineering from the University of Utah in the USA. After graduation, he worked with USI Chemical Company before returning to India in 1972. Mr. Nanavaty worked with our Company from 1972 to 1989. During his 17 years with our Company, he held various positions and was responsible for marketing the entire range of petrochemicals of IPCL. In 1989, Mr. Nanavaty joined RIL. He is currently President (Crackers and Polymers Business) of RIL, covering olefins and polymers. He is also a Member of SPE (Indian Section), IPI (Indian Chapter) and The Founders Club of Petrochemical Industry, USA. Recently, he was elected Honorary Fellow of the Indian Institute of Chemical Engineers.

Ramesh Inder Singh, age 54 years, is Joint Secretary (Chemicals) in the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers, Government of India. He graduated from the 1974 batch of the Punjab Cadre of the Indian Administrative Services. He was conferred Padma Shree in the year 1986 for meritorious public service in the fight against terrorism, while posted as District Magistrate, Amritsar. He has held various assignments including as Principal Secretary to Chief Minister, Punjab (1997-2001), Principal Secretary, Industries and Commerce, Punjab and Managing Director of Punjab State Industrial Development Corporation Limited and Punjab Markfed.

Gurdial S. Sandhu, age 48 years, is the Joint Secretary (Petrochemicals), Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers, Government of India.

Rajendra S. Lodha, age 61 years, is a leading Chartered Accountant and senior partner of Lodha and Co., Chartered Accountants based at Kolkata, Mumbai, Delhi, Chennai, Bangalore and Jaipur. Besides audit, he specialises in corporate finance, mergers and acquisitions and restructuring. He is presently a member of the Prime Minister's Council on Trade and Industry, the Board of Trade, Central Direct Taxes Advisory Committee, National Institute of Public Finance and Policy. He is also a member of the National Committee on Accounting Standards and Company Law Advisory Committee, both set up by the Government of India as well as SEBI's Takeover Code Review Committee and their Committee on Disclosure Requirements in Offer Documents. Mr. Lodha is also a member of the Board of Trustees of Unit Trust of India and Committee Member of the Federation of Indian Chambers of Commerce and Industry (FICCI).

Shailesh V. Haribhakti, age 47 years, is a Chartered Accountant and the Managing Partner and Chief Executive Officer of the Haribhakti Group. He specialises in change facilitation, strategy formulation and risk management. He is the President, Indian Merchants' Chamber, Chairman of the Corporate Governance Committee, ASSOCHAM.

Lalit R. Bhasin, age 65 years, is a distinguished lawyer with four decades of law practice, and holds several important posts as General Secretary, Bar Association of India; President, Indian Society for Afro-Asian Studies; President, Citizen's Drive (NGO), Society of Indian Law Firm (SILF); and Honorary Life Member and Council Member, International Bar Association. He has received several awards including the Indira Gandhi National Unity Award, Award for Excellence in Professionalism by Institute of Marketing Management, Indira Gandhi Priyadarshini Award, Award of Distinction by International Bar Association, National Award for Excellence (2001) by All India Lawyers' Forum for Civil Liberties and Award of Honour from the Prime Minister of India for Services to the Legal Profession and Commitment to the Rule of Law. He is a Trustee of Jawaharlal Nehru Memorial Fund, Indian Society of Ocean Studies, Indian Foundation for Arts. He is a former Chairman of Bar Council of Delhi.

Sandeep H. Junnarkar, age 52 years, is a solicitor and a partner of Junnarkar and Associates, Advocates, Solicitors and Notaries, Mumbai. His areas of specialisation include banking laws, corporate laws including monopolies laws, exchange control laws and securities regulations. He is a Member of the Committee of the Bombay Incorporated Law Society. He is the public representative nominee on the Disciplinary Action Committee of the Interconnected Stock Exchange of India Limited.

Sandesh K. Anand, age 61 years, is our Whole-time Director. He is a chemical engineer by profession and has been associated with our Company since 1971 in various capacities. Prior to disinvestment, he was appointed by the Government of India as a Director (Operations) and was overall in charge of the plant operations of our Company's three complexes at Vadodara, Nagothane and Gandhar.

Compensation of our Directors

For details of compensation of our Whole-Time Director, please refer to the section entitled "Statutory and Other Information". Our non-executive directors do not receive any remuneration from us except for sitting fees of Rs. 20,000 per meeting of the Board or a committee thereof. The Government nominees are not paid any sitting fees.

Shareholding of our Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. None of our directors are holding any equity shares in our Company.

Term of Office

In accordance with the Act, all our Directors, are liable to retire by rotation except S. K. Anand, our Whole-Time Director, whose appointment is for a term of five years from June 4, 2002 to June 3, 2007.

Changes in our Board of Directors During the Last Three Years

Changes to our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Ashok Chawla	06.08.1998 01.03.2000 04.06.2002	01.03.2000 04.06.2002 19.09.2003	Ceased to be the Chairman and Managing Director by tendering resignation and appointed as Director representing Government of India ** Ceased to be director representing Government of India in terms of the letter dated September 19, 2003
K. G. Ramanathan	31.10.1992 04.06.2002	01.03.2000 20.08.2002	Completed his tenure Resignation
Chinmay Bhattacharya	23.02.1995	04.06.2002	Ceased to be the Whole-time Director **
S.K. Anand	28.07.1995 04.06.2002	04.06.2002	Ceased to be the Whole-time Director ** Appointed as Whole-time Director *
Yashwant Bhave	29.09.1998	07.06.2000	Ceased to be part time official director as per GOI Directive
Dr. C.M. Lamba	28.11.1996	04.06.2002	Ceased to be the Whole-time Director **
Vijay Ranchan	30.07.1999	09.11.2001	Ceased to be part time official director by GOI Directive dated November 9, 2001

Name	Date of Appointment	Date of Cessation	Reason
S.M.Datta	23.11.1998	27.09.2001	Resignation
D. Basu	23.11.1998	27.09.2001	Resignation
Dr. J.S.Juneja	23.11.1998	27.09.2001	Resignation
Rajinder Gupta	23.11.1998	27.09.2001	Resignation
S.B. Shah	06.08.2001	04.06.2002	Ceased to be the Whole-time Director **
Vishwas Dhumal	19.06.2001	04.06.2002	Ceased to be Part Time official Director **
Mukesh D. Ambani	04.06.2002		Appointed as Director and Non Executive Chairman *
Anil D. Ambani	20.08.2002		Appointed as Director *
Nikhil R. Meswani	04.06.2002		Appointed as Director *
Anand J. Jain	04.06.2002		Appointed as Director *
Kamal P. Nanavaty	04.06.2002		Appointed as Director *
Dr. Manjula Subramaniam	21.01.2002	04.06.2002	Ceased to be Director **
H.C. Gupta	04.06.2002	03.12.2002	Ceased to be director representing Government of India in terms of the letter dated December 3, 2002
Ramesh Inder Singh	09.12.2002		Appointed as director representing the Government of India in terms of the letter dated December 3, 2002
R.S. Lodha	04.06.2002		Appointed as Independent Director
Shailesh V. Haribhakti	04.06.2002		Appointed as Independent Director
Lalit Bhasin	04.06.2002		Appointed as Independent Director
Sandeep H. Junnarkar	04.06.2002		Appointed as Independent Director
G.S. Sandhu	13.10.2003		Appointed as director representing Government of India in terms of the letter dated September 19, 2003

* Representing the Strategic Partner pursuant to disinvestment of the shareholding of the Government of India in our Company

** As per the Government Directive pursuant to disinvestment of the shareholding of the Government of India in our Company

Corporate Governance

Our Company has adopted wide ranging practices of corporate governance for ensuring protection of the rights and interests of its stakeholders. Our Company's policies of implementing the broad policies of corporate governance, namely transparency, integrity and accountability, are imperative to the management of our Company and the increasing focus on investor protection.

Our Company has taken pro-active measures to periodically review and revise its corporate governance practices. These include the incorporation of appropriate checks and balances at various levels of management, compliance with the requirements of the listing agreement in respect of corporate governance especially with respect to broad basing its Board of Directors and setting up necessary committees such as the Finance Committee, Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievance Committee.

Board of Directors

Our Company currently has 12 directors on its Board including four independent non-executive directors, two nominee directors nominated by the Government of India, and six directors nominated by the Strategic Partner including one Whole-Time Director.

Finance Committee

The Board has set up a Finance Committee of Directors to monitor and implement the decisions of the Board relating to investments, borrowing, security creation and other finance matters of our Company. The committee comprises of N. R. Meswani, A. J. Jain, K. P. Nanavaty and S.K. Anand. The committee meets as and when required to consider any matter assigned to it.

Audit Committee

This committee comprises of 4 non-executive directors, namely R.S. Lodha (Chairman), G. S. Sandhu, S. V. Haribhakti and S.H. Junnarkar, of which R. S. Lodha, S. V. Haribhakti and S.H. Junnarkar are independent directors. The constitution of the Audit Committee also meets with the requirements mentioned under section 292A of the Companies Act.

The terms of reference stipulated by the Board to the Audit Committee, as contained in the Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 are as follows:

a) Oversight of the Company's financial reporting process and the disclosure of its financial information.

b) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.

c) Reviewing with management the quarterly, the half yearly and annual financial statements before the submission to the Board, focusing primarily on (i) any changes in accounting policies and practices; (ii) major accounting entries based on exercise of judgment by management; (iii) qualifications in draft audit report; (iv) significant adjustment arising out of audit; (v) the going concern assumption; (vi) compliance with accounting standards; (vii) compliance with Stock Exchange and legal requirements concerning financial statement and (viii) any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

d) Reviewing with the management, external and internal auditors the adequacy of and compliance with internal control systems.

e) Reviewing the adequacy of internal audit functions.

f) Discussion with internal auditors any significant findings and follow up thereon.

g) Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.

h) Discussion with external auditors before the audit commences nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

i) Reviewing the Company's financial and risk management policies.

j) To look into the reasons for substantial for defaults in the payment to the depositors, debentures-holders, shareholders (in case of non-payment of declared dividends) and creditors.

Remuneration Committee

This committee comprises of three non-executive directors, L. R. Bhasin (Chairman), R.S. Lodha and S.V. Haribhakti. The Committee has been constituted to recommend/review the remuneration package of the Whole- Time Director, based on performance, industry practice and defined criteria.

Shareholders'/ Investors' Grievance Committee

This committee comprises of N.R. Meswani (Chairman), A. J. Jain, Ramesh Inder Singh and K.P. Nanavaty. The Committee, inter-alia, approves issue of duplicate certificates, reviews all matters connected with the securities transfers, looks into the redressal of investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Committee also oversees the performance of the Registrar and Transfer Agents and recommends measures for overall improvement in the quality of investor services. The Board of Directors have delegated the powers of approving transfer of securities to the Company's Registrar and Transfer

Agents under the supervision and control of the Company Secretary, subject to placing regularly a summary statement showing transfer/transmission, etc. of securities of the Company at every meeting of the committee.

In pursuance of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board has approved the Code of Conduct for the Prevention of Insider Trading and authorised the Shareholders'/ Investors Grievance Committee to implement and monitor the various requirements as set out in the Code.

Key Managerial Personnel

Sudhakar Desai, President (Gandhar complex), age 59 years, has a Bachelor's degree in Mechanical Engineering. Mr. Desai has more than 37 years of experience with large continuous process plants. Prior to joining us, he served as Maintenance Engineer in Saurashtra Chemicals from 1966 to 1970 (Birla Group).

Mr. Desai joined us on May 5, 1970 in the Project and Maintenance Department of Aromatics Project. Mr. Desai has held many positions in our Company, such as Engineer, Sr. Engineer, Sr. Manager, Dy. General Manager, General Manager, etc covering fields of Project / Construction Management, Utilities / Power Plants, Maintenance and Operations and is now head of Gandhar complex. Mr. Desai received a gross remuneration of Rs. 0.66 million.

Jayant Kamat, Sr. Executive Vice President (Marketing), age 54 years has a Masters' degree in Mechanical Engineering with specialisation in Plastics Engineering and a Post Graduate Diploma in Management. Mr. Kamat has over 30 years of experience out of which 25 years has been in IPCL. Prior to joining us, he served in Nirlon Synth from 1971 to 1972; as an Engineer in Mutual Plastics from 1974 to 1975 and as PTS Officer in Poly Chem from 1975 to 1978.

Mr. Kamat joined us on December 20, 1978 in the Marketing division. He has held many positions in our Company, such as Engineer (Application Development), Sr. Engineer, Manager, Chief Manager, General Manager as head of Marketing division and is responsible for, and head of Marketing division. Mr. Kamat received a gross remuneration of Rs. 0.52 million.

P. Vijayaraghavan, Sr. Vice President (Operations), Vadodara complex, age 56 years, has a Bachelor"s degree Chemical Engineering and a Post Graduate Diploma in Management (AIMA). He has undergone specialised training in 'Managing Complex Projects' in Price Waterhouse, UK and a short-term course in Petrochemicals in IIP, Dehradun.

Mr. Vijayaraghavan joined us on May 25, 1970 in the Project and Operations division. In the past 34 years he has held various positions in our Company such as Shift Engineer, Sr. Engineer, Production Manager, Sr. Production Manager and Dy. General Manager as head of Operations department, General Manager as head of Corporate Project Planning and Formulation as well as Operations. He is presently in charge of manufacturing at the Vadodara complex, Vadodara. Mr. Vijayarghavan received a gross remuneration of Rs. 0.55 million.

As Management Representative and CEO of ISO Systems, he implemented Quality Management System and Environmental Management System and was instrumental in obtaining ISO-9002 and ISO-14000 Certification. He is also on the board of directors of Effluent Channel Projects Limited.

B.M. Shah, Vice President (Finance), age 58 years, has a Master's degree in Commerce and is a Chartered Accountant. Mr. Shah has more than 29 years of experience with various companies. Prior to joining us, he served as Chief Accountant with Gasket and Radiators Pvt. Limited, Vadodara from 1976 to 1977; and Accounts Executive with Saurashtra Steel Ind. Limited, from 1974 to 1976.

Mr. Shah joined us on December, 1977 in the Finance Deptt. Mr. Shah has held many positions in our Company, such as Head Finance and Accounts, Gandhar complex, Accounts Officer, Dy. Financial Controller, Jt. Financial Controller, Financial Controller and headed MIS Budget, Administration etc. related to Finance matters. He is presently heading Finance and Accounts at our Vadodara complex. Mr. Shah received a gross remuneration of Rs. 0.55 million.

L.S. Sundaresan, Sr. Vice President (Corporate Planning), age 58 years, has a Bachelor's degree in Science and a Bachelor's degree in Chemical Engineering from IIT Chennai. Mr. Sundaresan has 35 years of experience. Prior to joining us, he served as a project engineer in the Project and Development India Limited, Sindri.

Mr. Sundaresan joined us on August 14, 1978 as part of New Project Planning. Mr. Sundaresan has held many positions in our Company, such as Project Officer on deputation to Deptt. of Chemicals and Petrochemicals, Government of India and headed Project, Planning, Technical Advice. As Dy. General Manager (Tech.) and General

Manager, he headed Technology, Technical Support, facilitated the implementation of scheme, Debottlenecking, Energy Conservation, ISO-9002, Quality Control. He is now Sr. Vice President in our Company and is the head of corporate planning at our Company. Mr. Sundaresan received a gross remuneration of Rs. 0.52 million.

The above key management personnel are permanent employees of our Company.

Changes in our Key Managerial Personnel during the last three years

There have been no changes in our key managerial personnel over the last three years, except for Mr. Sailesh Mehta, the president of our Vadodara Complex, who retired on January 31, 2003 and Mr. Ravikumar, the president of our Nagothane complex, who retired on January 31, 2004.

No portion of the aforesaid compensation was paid pursuant to a bonus or profit-sharing plan.

Shareholding of the Key Managerial Personnel

S. No.	Name	Designation	Number of equity shares held
1	B. M. Shah	Vice President (Finance)	43
2	P. Vijayaraghavan	Sr. Vice President (Operations)	Nil
3	L. S. Sundaresan	Sr. Vice President (Corporate Planning)	60
4	J. B. Kamat	Sr. Executive Vice President (Marketing)	500
5	Sudhakar Desai	President (Gandhar complex)	300

None of the key managerial personnel are related to each other.

Any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in this head, was selected as a director or member of senior management.

Pursuant to the SHA, the Selling Shareholder has the right to nominate two directors for appointment on our Board of Directors so long as the Selling Shareholder continues to hold at least 15% of our issued and paid up equity share capital. The Selling Shareholder has the right to nominate one director for appointment on our Board of Directors so long as it holds at least one equity share in our Company.

Pursuant to the SHA, the Strategic Partner has the right to nominate six directors for appointment on our Board of Directors so long as the Strategic Partner continues to hold at least 26% of our issued and paid up equity share capital.

Expected changes in our Board of Directors and Key Managerial Personnel

Pursuant to this Offer, in the event the Government's shareholding reduces below 15% of our issued and paid up equity share capital, in accordance with the terms of the SHA, the Government would no longer be entitled to appoint two nominee directors on the Board of our Company. Consequently, the Government would withdraw its nomination of one of the directors nominated by it on our Board of Directors.

OUR PROMOTER

Our Promoter is Reliance Petroinvestments Limited ("RPiL"), which holds 46% and, following completion of the Offer, may hold up to 51%, of our paid up equity share capital.

Reliance Petroinvestments Limited

RPiL is an unlisted company incorporated under the Companies Act and having its registered office at Brindavan, 2nd Floor, Shree Ram Mills Premises, Ganpat Rao Kadam Marg, Worli, Mumbai 400 013. RPiL was originally incorporated on July 28, 1999 as WorldTel India Holdings Private Limited. The company became a deemed public company by virtue of section 43-A(1) of the Companies Act, effective April 28, 2000. The name of the company has been changed to Reliance Petroinvestments Limited with effect from December 19, 2001. RPiL is a part of the Reliance Group. RPiL is registered with the Reserve Bank of India to carry on the business of a Non Banking Financial Company.

Shareholding Pattern

The entire shareholding of the company is held in equal proportion by Reliance Capital Limited and Reliance Ventures Limited.

Board of directors

RPiL has Jyotindra H. Thacker, Ajeet Varma and Arjun Vasant Betkekar on its board of directors.

Financial Performance

The financial performance for the last three years is presented below (Rs. million):

	FY03	FY02	FY01
Equity Share Capital	89	89	89
Reserves (excl. Revaluation Reserves)	(10)	(14)	(10)
Misc. Expenditure not written off	1	2	3
Total Income	231	4	7
Profit After Tax	4	(4)	(10)
Earning per Share (Rs.)	0.47	(0.48)	(1.08)
Net Asset Value (Rs.)	8.75	8.13	8.49

Shareholders Agreement dated June 4, 2002 between the Selling Shareholder and the Strategic Partner.

The President of India, IPCL and RPiL are parties to the Share Purchase Agreement dated May 21, 2002 whereby the Government has agreed to sell to the Strategic Partner shares held by it in our Company constituting 26% of the equity share capital of our Company. This agreement records the terms of management of our Company consequent to the acquisition of 26% shares of our Company originally held by the Selling Shareholder by the Strategic Partner.

The SHA provides that our Company shall have a Board consisting of 12 Directors. As long as the Strategic Partner holds at least 26% of the equity capital, it would be entitled to appoint six Directors including the Managing Director. As long as the Government holds at least 15% of the shares directly or indirectly, it would be entitled to appoint two Directors. The other four Directors would be independent Directors.

During the three year period commencing on the date of the sale of the Selling Shareholder's shares to the Strategic Partner (June 4, 2002 to June 3, 2005), the Selling Shareholder would be entitled to nominate one nominee director for appointment to the Board until such time as the Selling Shareholder holds (directly or indirectly) at least one equity share in our Company.

The presence of at least one nominee director of each of the Government and the Strategic Partner in case of a Board meeting and the presence of one representative each of the Government and the Strategic Partner in a general meeting, would be necessary to constitute a quorum for any meeting in which any of the following matters are sought to be resolved:

- Any action which may lead to material change in the nature of the business of our Company or its subsidiary or undertaking of any commercial activity unrelated to our Company's activities in the hydrocarbon sector.
- Any negotiations to enter into any transaction resulting in the sale, lease or disposition of property or assets having an aggregate value exceeding 25% of the total net value of all the fixed assets of our Company.
- The granting of any security or creation of any encumbrance on the assets which in aggregate exceeds 50% of the book value of the net assets of our Company but excluding those required to obtain lines of credit/ working capital requirements of the Company with scheduled banks, financial institutions and other recognised financial agencies.
- The making of loans or advances in excess of Rs. 500 million to any person directly/indirectly.
- Any commitment or agreement to do any of the above.

As a condition precedent to the SPA, the Strategic Partner was required to furnish a guarantee in favor of the Government. Accordingly, the Guarantee Agreement dated June 4, 2002 amongst the Strategic Partner, Reliance Ventures Limited and Reliance Industries Limited was executed whereby the performance of the Strategic Partner's obligations under the Shareholders Agreement and the Share Purchase Agreement were guaranteed by Reliance Industries Limited and Reliance Ventures Limited. Reliance Industries Limited and Reliance Ventures Limited also undertook to indemnify the Selling Shareholder against any loss caused on account of any default by the Strategic Partner.

The SHA provides that the Strategic Partner is restricted from transferring, assigning, pledging, charging or otherwise disposing or encumbering the equity shares purchased from the Selling Shareholder except with the Selling Shareholder's approval. For a period of three years, the Strategic Partner is restricted from transferring in any manner the legal or beneficial ownership in the shares purchased under the SHA. A Transfer Restriction Agreement has been entered into by our Company, the Strategic Partner and Karvy Consultants Limited (the **"Depository Participant")** on June 4, 2002 restricting the Strategic Partner from transferring its shares purchased for a period of three years from June 4, 2002 whereby the Depository Participant is required to earmark the said shares to a separate account and is restricted from effecting any transfer from the said account unless it receives joint instructions in writing from the Strategic Partner and the Selling Shareholder authorising any transfer of the shares. The Strategic Partner is allowed to transfer its equity shares to an affiliate entity provided that such affiliate entity agrees to the terms of the SHA and also agrees to transfer the equity shares back to the Strategic Partner in the event that it ceases to be an affiliate at any point.

Between June 4, 2004 and June 3, 2005 the Selling Shareholder has the right to offer the shares held by it to the Strategic Partner at a fair value determined by an independent valuer. Between June 4, 2005 and June 3, 2006, the Strategic Partner has the right to acquire the equity shares held by the Selling Shareholder at a fair value determined by an independent valuer. If the Strategic Partner exercises these rights the Selling Shareholder is bound to transfer the equity shares to the Strategic Partner.

The SHA terminates upon (i) the written agreement of the Selling Shareholder and the Strategic Partner, or (ii) the dissolution or bankruptcy of our Company, or (iii) the Strategic Partner directly or indirectly ceasing to hold the beneficial interest of less than 15% of the outstanding shares of our Company, or (iv) the reduction of the Government's shareholding in our Company to less than 15%. In the event the Government's shareholding reduces below 15%, the Government would still be entitled to appoint directors as aforementioned above for the three year period commencing on the date of the sale of the Government's shares.

The Selling Shareholder and the Strategic Partner have entered into an Amendment Agreement dated January 15, 2004 with Reliance Industries Limited and Reliance Ventures Limited as the confirming parties. The Amendment Agreement allows the Selling Shareholder to offer its shareholding in our Company to the public by way of an offer for sale. This right is available to the Selling Shareholder for a period of one year from January 15, 2004 or after the four year period from June 4, 2002. Also, if the Selling Shareholder decides to offer its equity shares to the public, the Selling Shareholder would be obligated to offer to the Strategic Partner such number of voting equity shares which constitute the lesser of 5% of the voting equity share holding of our Company and the number of voting equity shares which would be required by the Strategic Partner to increase its direct and indirect shareholding in our Company to 51%. However, the Selling Shareholder would be obligated to offer such number of shares to the Strategic Partner only if the offer to the public is made during the one year period commencing on January 15, 2004. RPiL must communicate its decision to acquire the equity shares within three days of the Selling Shareholder's notice to RPiL. RPiL would acquire the 5% at the higher of the price determined through this Offer and a fair market value to be determined by an independent valuer. **Notwithstanding anything contained elsewhere in this document, in terms of Regulation 11(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, RPiL shall not be required to make another public announcement and open offer for further acquisition of shares from the Selling Shareholder in terms of the Shareholders Agreement and the Amendment Agreement.** For further details see "Terms of the Offer" on page 44 of this Preliminary Sale Document.

Acquisition of Shares in IPCL

RPiL had acquired 20% paid up equity share capital of IPCL after complying with the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. For further details see "Our Business" on page 84 of this Preliminary Sale Document.

VENTURES OF RPiL

Reliance Rubbers and Chemicals Limited is a wholly owned subsidiary of RPiL.

Reliance Rubbers and Chemicals Limited

RRCL was incorporated as a private limited company on March 17, 1998 and on March 31, 2003, it became a wholly owned subsidiary of RPiL. RRCL's status was changed from private limited to a public limited company vide resolution passed at a general meeting on September 18, 2003. The fresh certificate for change of name was received on October 21, 2003. The company has its registered office at 9th Floor, Maker Chambers IV, 222, Nariman Point, Mumbai 400 021.

RRCL's main object is to manufacture, synthesise, prepare, extract, process and finish, manipulate, improve, treat, preserve, reduce, trade, transport, store, refine and act as stockists, agents, merchants, distributors of synthetic rubbers, synthetic resins, plastics, rubbers, elastomers, latices and all kinds of rubber and plastic products and goods including their bye-products and derivatives of any nature and kind whatsoever and also for chemicals, compounds, petrochemicals, acid and alkalies, salts, solvents and catalyst, disinfectants, insecticides, fungicides, deodorants, biochemicals and sanitary chemicals and all type of like products and goods. RRCL has not commenced any major activities.

Shareholding Pattern

RRCL is a 100% subsidiary of RPiL.

Board of Directors

RRCL has K.P. Nanavaty, K. Ramamurthy and Lalit Jalan on its board of directors.

Financial Performance

The financial performance for the last three years is presented below (Rs. thousand):

	FY03	**FY02**	**FY01**
Equity Share Capital	100	2	2
Reserves (excl. Revaluation Reserves)	(34)	(25)	(17)
Misc. Expenditure not written off	4	5	6
Total Income	-	-	-
Profit After Tax	(9)	(8)	(9)
Earning per Share (Rs.)	(2.51)	(39.60)	(43.35)
Net Asset Value (Rs.)	6.21	(140)	(105)

PROMOTER GROUP COMPANIES

The following companies are a part of our Promoter group:

Reliance Ventures Limited

RVL is an unlisted company incorporated on July 27, 1999 under the Companies Act as Reliance Fertilisers Private Limited. The name of the company was changed to Reliance Ventures Private Limited on November 1, 1999. It became a deemed public company by virtue of section 43-A(1) of the Companies Act on October 7, 1999.

RVL is a wholly owned subsidiary of Reliance Industries Limited. RVL is a member of Reliance Group. RVL is registered with the Reserve Bank of India to carry on the business of a Non Banking Financial Company.

RVL has its registered office at Shree Ram Mills Premises, Ground Floor, Ganpat Rao Kadam Marg, Worli, Mumbai 400 013.

Board of Directors

RVL has L.V. Merchant, Surendra Pipara and M.D. Sudharsan on its board of directors.

Financial Performance

The financial performance for the last three years is presented below (Rs. million):

	FY03	FY02	FY01
Equity Share Capital	20	20	20
Reserves (excluding Revaluation Reserves)	(24.2)	(0.09)	(0.03)
Misc. Expenditure not written off	0.04	0.06	0.9
Total Income	534	-	-
Profit After Tax	(24)	(0.06)	(0.04)
Earning per Share (Rs.)	(11.93)	(0.03)	(0.02)
Net Asset Value (Rs.)	(2.00)	9.93	9.94

Reliance Capital Limited

RCL is a public limited company promoted by Reliance Industries Limited and incorporated on March 5, 1986 under the Companies Act. RCL commenced business on March 27, 1986. RCL is registered with the Reserve Bank of India to carry on the business of a Non Banking Financial Company. RCL has a net worth of over Rs.13,000 million. RCL has approximately 275,000 shareholders, with its equity shares listed on the Ahmedabad Stock Exchange, BSE and NSE.

RCL has its registered office at Village Meghpar / Padana, Taluka Lalpur, District Jamnagar, Gujarat.

RCL's main activities include project finance, infrastructure finance, investment banking, and inter-corporate deposits.

Shareholding Pattern

Category	As on December 31, 2003	
	Number of shares held	Percentage of shareholding
A Promoters Holding		
1. Indian Promoters	61,312,272	48.16
B Non-Promoters Holding		
2. Institutional Investors		
A Bank and Mutual Funds	1,328,026	1.04
B Public Financial/Development Institutions, including State financial corporation	250,600	0.20
C Others		
1. Private Corporate Bodies	8,657,817	6.80
2. Indian Public	54,362,659	42.70
3. Non -resident holding	1,394,870	1.10
TOTAL	**127,306,244**	**100.00**

Board of Directors

RCL has D. Chaturvedi (Chairman), Anand Jain (Vice Chairman), D. J. Kapadia, S.S. Thakur, Sandeep H. Junnarkar, Amitabh Jhunjhunwala and Alok Agarwal on its board of directors.

Stock Market Data

The highest and lowest market price of RCL's shares during the preceding six months is as given below:

Period	Highest (Rs.)	Lowest (Rs.)
August 2003	80.80	70.60
September 2003	83.25	70.50
October 2003	89.60	73.50
November 2003	109.35	76.90
December 2003	135.75	106.55
January 2004	153.65	123.45

Source: The Stock Exchange, Mumbai

The market capitalisation of RCL based on the closing price of Rs. 130.75 per equity share on the BSE on February 6, 2004 was Rs. 16,660 million.

Financial Performance

The financial performance for the last three years is presented below (Rs. million):

	FY03	FY02	FY01
Paid up Equity Share Capital	1278	1278	1278
Reserves (excl. Revaluation Reserves)	12,085	11,480	19,019
Total Income	4588	5486	4922
Profit After Tax	1026	1012	1009
Earning per Share (Rs.)	8.06	7.91	7.33
Net Asset Value (Rs.)	104.97	100.22	160.24

Last Issues of RCL

- RCL made a public issue of 42,857,200 equity shares of Rs. 10 each for cash at premium of Rs. 130 per share aggregating Rs. 6,000 million with Net Offer to Indian Public being Rs. 1,617,938,000. The details of the issue are as follows:

Issue opened on	January 16, 1995
Issue closed on	January 19, 1995
Date of completion of dispatch of delivery of security certificates	March 27, 1995
Object of the issue	(i) to augment the company's resources for meeting part of its requirements for further growth and diversification and (ii) to strengthen the company's equity base and net worth and thus enhance its ability to leverage. (iii) to deploy part of the funds in subsidiaries. (iv) to deploy part of funds in purchase of property. (v) to meet the expenses of the issue.
Rate of dividend paid prior to the issue	1990 - 91: 12.5% 1991 - 92: 15.0% 1992 - 93: 18.0% 1993 - 94: 22.0%

- RCL made a rights issue of 14,229,500 equity shares of Rs. 10 each for cash at premium of Rs. 40 per share aggregating Rs. 711.475 million

Issue opened on	January 16, 1995
Issue closed on	February 15, 1995
Date of completion of dispatch of delivery of security certificates	May 2, 1995
	Object of the issue (i) to augment the company's resources for meeting part of its requirements for further growth and diversification and (ii) to strengthen the company's equity base and networth and thus enhance its ability to leverage. (iii) to deploy part of the funds in subsidiaries. (iv) to deploy part of funds in purchase of property. (v) to meet the expenses of the issue.
Rate of dividend paid prior to the issue	1990 - 91: 12.5% 1991 - 92: 15.0% 1992 - 93: 18.0% 1993 - 94: 22.0%

Particulars of changes in the capital structure are given below:

	Particulars	Equity Share Capital (Rs. million)	Share Premium (Rs. million)
1.	Prior to the issue	711.475	1,766.778
2.	After the rights issue	851.495	2,326.857
3.	After the public issue	1,285.471	7,968.544

Promise v/s Performance (Rs. million)

	1997		1996		1995	
Year ended March 31,	Projections	Performance	Projections	Performance	Projections	Performance
Total Income	5370	2228.6	3980	2175.5	1070	1065.7
Profit After Tax	1380	1015.1	1190	1109.2	460	463.7
Earning per Share (Rs.)	10.9	8.19	9.4	9.28	7.8	7.42
Dividend (%)	25	28	25	27	22	24

(1) 1996 - 1997: The variation between the projected and actual figures is attributable to the continuing depressed conditions in the capital markets which affected resource mobilisation and the overall volume of business; higher provisioning and write offs; and incidence of corporate tax consequent upon legislative amendments.

(2) 1995 - 1996: The variation between the projected and actual figures is attributable to tight money conditions impacting resource mobilisation and depressed capital markets.

(3) 1994-1995: there was no material variation between the projected and actual figures in this period.

Investor Grievance Redressal System

Karvy Consultants Limited (KCL) are the Registrars and Transfer Agents of the company. KCL has set up 18 Investor Relation Centres (IRCs) across the country to accept the documents/requests/complaints from the investors/ shareholders of the company.

The letters that are accepted at the IRCs are forwarded to the central processing unit at KCL's Hyderabad office. Documents/letters are also received from the investors directly at Hyderabad by courier/post.

All documents are received at the inward department where the same are classified based on the nature of the queries/action to be taken and coded accordingly. The documents are then electronically captured before forwarding to the respective processing units.

The documents are processed by professionally trained personnel. Subsequent to the completion of the process the documents are scrutinised thoroughly by independent firm(s) of chartered accountants appointed by the company.

The company has set up service standards for each of the various processes involved such as effecting the transfer/dematerialisation of security/change of address ranging from three to seven days. KCL maintains an age wise analysis of the process to ensure that the standards are duly adhered to.

Status of investor complaints for the quarter ended December 31, 2003 is as follows:

Particulars	Number
Complaints pending as of October 1, 2003	0
Complaints received during the period	683
Complaints disposed off during the period	683
Complaints unresolved as of December 31, 2003	0

Reliance Industries Limited

Reliance Industries Limited is the flagship company of the Reliance Group and is India's largest private sector enterprise based on major financial parameters as of March 31, 2003 with gross turnover of Rs. 650,610 million, cash profit of Rs. 75,650 million, net profit of Rs. 41,040 million, net worth of Rs. 303,270 million and total assets of Rs. 637,370 million.

RIL was declared the "Best Managed Company" in India in a study by Business Today and A.T. Kearney. RIL was named in the World's Most Respected Companies list published by Financial Times based on a global survey and research conducted by PricewaterhouseCoopers.

RIL is a major player in the Indian polyester and petrochemicals sector, having a wide range of operations from producing crude oil and gas, crude oil refining, petrochemicals, to polyester and polymer products and is vertically integrated to the production of textiles. RIL enjoys market leadership in a number of its products in India, with its large-scale capacities, modern distribution infrastructure and strong customer relationships.

RIL has substantial investments in the infocom sector, that is, the convergence of information and communication. RIL also has significant interests in the power and financial sector.

RIL was incorporated on May 8, 1973 and has its registered office at Maker Chambers IV, 3rd Floor, 222, Nariman Point, Mumbai - 400 021.

Shareholding Pattern

	Category	As of December 31, 2003	
		Number of shares held	**Percentage of shareholding**
A	**Promoters Holding**		
	1. Promoters		
	Indian Promoters	176,300,346	12.63
	2. Persons acting in concert	475,326,789	34.04
	Sub-Total	**651,627,135**	**46.67**
B	**Non-Promoters Holding**		
	3. Institutional Investors		
	A. Mutual Funds and UTI	25,793,654	1.85
	B. Banks, Financial Institutions, Insurance Companies (Central/State Gov. Institutions/ Non-Government Institutions)	100,010,001	7.16

	C. FIIs	308,568,588	22.10
	Sub-Total	**34,372,243**	**31.11**
4.	**Others**		
	A. Private Corporate Bodies	16,373,960	1.17
	B. Indian Public	19,6040,295	14.04
	C. NRIs/OCBs	12,312,742	0.88
	D. Any other (please specify)		
	The Bank of New York as Depository (for GDRs)	85,651,161	6.13
	Sub-Total	**310,378,158**	**22.22**
	GRAND TOTAL	**1396,377,536**	**100.00**

RIL has the following directors on its board:

- M.D. Ambani, Chairman and Managing Director
- A.D. Ambani, Vice Chairman and Managing Director
- N.R. Meswani, Executive Director
- H.R. Meswani, Executive Director
- H.S. Kohli, Executive Director
- R.H. Ambani
- M.L. Bhakta
- Y.P. Trivedi
- T.R.U. Pai
- S. Venkitaramanan
- Dr. D. V. Kapur
- M. P. Modi

Stock Market Data

The highest and lowest market price of RIL's equity shares during the preceding six months is as given below:

Date	High (Rs.)	Low (Rs.)
August 2003	404.75	343.00
September 2003	445.00	391.80
October 2003	497.45	433.10
November 2003	504.40	447.20
December 2003	582.00	477.15
January 2004	603.25	528.60

Source: The Stock Exchange, Mumbai

Market capitalisation of RIL is based on the closing price of Rs. 574.35 per equity share on the BSE on February 6, 2004 was Rs. 802,009 million.

RIL's financial performance for the last three years is presented below (Rs. million):

	FY03	FY02	FY01
Equity Share Capital	13,959	13,959[1]	10,535
Reserves (excl. Revaluation Reserves)	262,427	237,409	119,946
Misc. Expenditure not w/o	472	629	0
Total Income[2]	493,345	419,634	211,419
Profit After Tax (PAT)[3]	41,043	32,427	26,456
Earning per Share[4]	29.25	23.36	25.11
Net Asset Value	197.93 5	238.54 6	123.82

Notes:

1. Includes equity share suspense
2. Total income equals (net sales + other income + stock adjustment)
3. PAT: after deferred tax and extraordinary items
4. Based on weighted average number of equity shares and after extraordinary items
5. Based on equity shares at closing, with net worth including equity share suspense account and excluding revaluation reserve
6. Based on equity share capital including equity share suspense, and number of equity shares not including equity share suspense account

Last Issue of RIL

RIL has not made any public issues in the last five years. The last issue by RIL was in 1991 when RIL allotted three series of debentures in order to part finance the cracker project at Hazira and to finance the expansion of the Patalganga complex. The series of debentures issued were titled the H Series, the J Series and the K Series Debentures, of which the H Series and the J Series Debentures were partially convertible debentures whilst the K Series Debentures were non-convertible debentures. The issue opened on December 10, 1991, closed on January 7, 1992 and the certificates for the debentures were despatched on March 30, 1993 in lieu of allotment letters issued in May 1992. The H Series and J Series Debentures were priced at Rs. 150 per debenture, bore interest at 12.5% p.a. and 14.0% p.a, respectively, and were issued to part finance the cracker project at Hazira. The cracker project at Hazira was expected to commence commercial production by the second quarter of 1995. However, RIL increased the cracker capacity as stated in the offer document and completed the project in 1995. The K Series Debentures were priced at Rs. 100 per debenture, bore interest at 17.5% p.a and were issued to finance the acquisition of the Patalganga complex. The acquisition of the Patalganga complex was completed in FY 1991-1992. The amounts raised through the issue of H Series, J Series and K Series Debentures were Rs. 5,469 million, Rs. 1,311 Million and Rs. 2,665 million, respectively, which aggregated to Rs. 9,435 million.

Investor Grievance Redressal System

Karvy Consultants Limited (KCL) are the Registrars and Transfer Agents of the company. KCL has set up 18 Investor Relation Centres (IRCs) across the country to accept the documents/requests/complaints from the investors/ shareholders of the company.

The letters that are accepted at the IRCs are forwarded to the central processing unit at KCL's Hyderabad office. Documents/letters are also received from the investors directly at Hyderabad by courier/post.

All documents are received at the inward department where the same are classified based on the nature of the queries/action to be taken and coded accordingly. The documents are then electronically captured before forwarding to the respective processing units.

The documents are processed by professionally trained personnel. Subsequent to the completion of the process the documents are scrutinised thoroughly by independent firm(s) of chartered accountants appointed by the company.

The company has set up service standards for each of the various processes involved such as effecting the transfer/dematerialisation of security/change of address ranging from three to seven days. KCL maintains an age wise analysis of the process to ensure that the standards are duly adhered to.

Status of investor complaints for the quarter ended December 31, 2003 is as follows:

Particulars	Number
Complaints pending as of October 1, 2003	0
Complaints received during the period	5548
Complaints disposed off during the period	5548
Complaints lying unresolved as of December 31, 2003	0

RELATED PARTY TRANSACTIONS

As per Accounting Standard (AS-18) on Related party disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related party as defined in the Accounting Standard for the nine-month period ended December 31, 2003 are given below:

List of Related Parties with whom transactions have taken place and relationship:

Sr. No	Name of the Related Party	Relationship
1	Reliance Industries Limited	Associate Company
2	Gujarat Chemical Port Terminal Company Limited	Associate Company
3	Reliance Capital Limited	Associate Company
4	Reliance Petroinvestments Limited	Associate Company
5	Reliance Ventures Limited	Associate Company
6	Reliance General Insurance Company Limited	Associate Company
7	Indian Vaccines Corporation Limited	Associate Company
8	Shri S K Anand	Key Management Personnel

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

Transactions during the nine-month period ended December 31, 2003 with related parties:

(Rs. million)

Sr. No	Nature of Transaction	Associates	Key Management Personnel	Total
A	**Loans Taken**			
	Taken during the period (Subscription to debentures, which were sold by related party subsequently)	4,522	-	4,522
	Balance as at December 31, 2003			
B	**Investments**			
	Balance as at 1st April, 2003	885	-	885
	Balance as at December 31, 2003	885	-	885
C	**Sundry Creditors**			
	As at December 31, 2003	4,348	-	4,348
D	**Loans and Advances**			
	As at December 31, 2003	19	-	19
	Provison made there against	19	-	19
E	**Turnover**	3,169	-	3,169
F	**Purchases - Raw materials, fuel etc.**	10,058	-	10,058
	- Traded goods	11,947	-	11,947
G	**Expenditure**			
	Interest Paid	30	-	30
	Insurance Premium	15	-	15
	Payment to and provision for Directors	-	2	2
	Storage and Pipeline Charges	769	-	769
H	**Guarantees Issued**			
	Financial Guarantees	1,400	-	1,400
I	**Material given on Loan**	30	-	30

REGULATIONS AND POLICIES

The Government of India has over the years formulated various regulations and policies for the development of the petrochemicals industry in India.

Foreign Investment Regulations

The industrial policy was formulated in 1991 to implement the Government's liberalisation programme and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment.

The procedure for investment in the petrochemical sector has been simplified for facilitating foreign direct investment. Investment in companies associated with petrochemical activities fall under the RBI automatic approval route for FDI/NRI/OCB investment up to 100 % except in a few specified cases. For such specified cases, Government approval is required from the Foreign Investment Promotion Board.

Fiscal Regulations

Under the Foreign Trade (Development and Regulation) Act, 1992, the Central Government is empowered to periodically formulate the Export Import Policy or the EXIM Policy and amend it thereafter whenever it deems fit. All exports and imports would have to be in compliance to such EXIM Policy. The relaxations of the duty exemption scheme, the export promotion capital goods scheme and the export oriented units scheme have also been afforded to the petrochemicals industry in the import and export policy which are essentially aimed at facilitation of exports of petrochemical products.

On January 28, 2004, the Government of India amended the EXIM Policy relating to exports and imports of the Government of India. Particularly, norms for obtaining a licence for availing duty exemption have been relaxed. Also, under the export promotion capital goods scheme, import of spare refractories, consumables, and catalysts for plants has been allowed. Certain norms have also been enacted pertaining to the tenure of the recognition of an export oriented unit under the export oriented units scheme. A significant amendment is that in order to prevent the practice of some entities seeking to increase their export turnover by taking credits for the export of others without themselves undertaking any efforts to increase the exports of products manufactured by them, exports effected pursuant to certain specified activities have been deemed not to be an export for the purposes of the EXIM Policy. This amendment would affect the entitlement of duty credit and would apply only to exports made on or after April 1, 2003.

Excise Regulations

The Central Excise Act seeks to impose a duty on commodities which are manufactured and which are marketable. The rates at which the said duty is sought to be imposed is contained in the Central Excise Tariff Act. Accordingly, the various products produced by the petrochemicals sector are classified under the Central Excise Tariff Act and attract corresponding duties. For instance, HDPE/LDPE produced in strip forms and the production of synthetic rubber would attract a duty of 16% each.

Environmental Regulations

We have to comply with the provisions of the Environment Protection Act, 1986, Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989.

Entrepreneurs are required to obtain statutory clearances relating to pollution control and environment for setting up an industrial project. A Notification (SO 60(E) dated 27.1.94) issued under The Environment (Protection) Act, 1986 has listed 30 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes petrochemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, chemicals, fertilisers, dyes and paper.

Price Mechanism

Under the current policy of the Government of India, the Consumer Price of natural gas is administered and fixed by the Government of India ("Consumer Price"). The Consumer Price is linked to a "Reference Price" based on a pre-determined basket of international fuel prices ("Reference Price"). This Reference Price is calculated on a quarterly basis. The Consumer Price has been linked to 75% of Reference Price since FY2000 with a range of a floor price of Rs. 2,150 per 1000 SCM and a ceiling price of Rs. 2,850 per 1000 SCM ("Ceiling Price"). The above mentioned prices are for a net heating value of 10,000 kilo calories per SCM and would vary with the actual heating value. Currently, the Reference Price is such that it gives a Consumer Price of more than the Ceiling Price. Hence, the Consumer Price is set at the “Ceiling Price” i.e., Rs. 2,850 per 1000 SCM, benchmarked to 10,000 kilo Calories). In addition to this administered Consumer Price, the cost of natural gas also attracts certain statutory levies like royalty and purchase tax.

The Government of India has announced its intention of moving to a market-determined price for natural gas from the current administered pricing regime. Under a market driven determination of pricing of natural gas, the following factors, *inter alia*, would influence the price of natural gas:

- Government of India or state government policy
- Demand for natural gas
- Supply from domestic sources and quantum and price of imported natural Gas
- Price of alternate fuels
- Taxes, duties and other statutory levels
- Transportation charges

In addition to the administered Consumer Price, gas consumers pay GAIL/other gas transportation companies for transportation of Natural Gas from Hazira/other locations to their respective demand centers. Transportation charges to GAIL for transporting gas along the HBJ pipeline is administered (currently Rs. 1,150 per 1000 SCM benchmarked to 8,500 kilo calories), and is common for all natural gas consumers supplied from this pipeline without reference to actual distance over which the natural gas is transported.

Petroleum and Natural Gas Regulatory Board Bill

In the deregulated scenario, the Government proposed to set up a Petroleum and Natural Gas Regulatory Board to oversee the downstream petroleum sector in the country. and introduced the Petroleum Regulatory Board Bill, 2002 in the Lok Sabha on May 6, 2002. This bill has been later amended and renamed as Petroleum and Natural Gas Regulatory Board Bill, 2002. One of the basic objectives of this Bill was to provide for a regulatory mechanism which would facilitate uninterrupted and adequate supply of petroleum products, petroleum and natural gas and in all parts of the country at fair prices, promote competitive markets and access to monopolistic infrastructure in the nature of common carrier on non-discriminatory basis by all entities.

Guidelines for Laying Pipelines

The Government has issued guidelines dated November 20, 2002 for laying petroleum product pipelines whereby pipelines originating from refineries up to a distance of 300 kilometers and the pipelines dedicated for supplying product to particular consumers will be treated as captive pipelines, the right of user in land for which will be granted in favour of the applicant company. In respect of pipelines originating from refineries exceeding 300 kilometers length and pipelines originating from ports, the proposal for laying common usage product pipelines will be publicised to invite expression of interest from anyone interested in the proposal, and the designated pipeline capacity will be kept at least 25% more than the capacity requirement of the proposer and of interested parties. Tariffs for the pipelines in this category will be subject to the control order or regulations that may be issued by Government/ Statutory Authority. The guidelines will remain in force until the Petroleum and Natural Gas Regulatory Board is constituted.

OTHER INFORMATION

Listing

The equity shares of our Company are listed on the National Stock Exchange of India Limited (the Designated Stock Exchange), the Stock Exchange, Mumbai, the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited. Our Company has applied for delisting from the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited.

Compliance With SEBI Guidelines and the Listing Agreement

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. Our Company has made disclosures from time to time in compliance with the terms of the listing agreements with the stock exchanges.

Other Relationships

Certain BRLMs and their respective affiliates have performed investment banking, commercial banking or advisory services for the Government and us from time to time for which they have received customary fees and expenses. In addition, each Underwriter may, from time to time, engage in transactions with and perform services for the Government, RPiL and us in the ordinary course of business.

STATUTORY APPROVALS

In view of the approvals listed below, we can undertake this Offer and our current business activities and no further major approvals from any Governmental authority/RBI are required to continue the aforesaid activities.

We have received the following major Government approvals pertaining to our business:

Licences obtained from the Central Government are open to public inspection at the Registered Office of our Company. It must be distinctly understood that, in granting this licence the Government of India do not take any responsibility for the financial soundness of this undertaking or for the correctness of any of the statements made or opinions expressed in regard to it.

I. INDUSTRIAL LICENCES

1. We have the following industrial licences for the Vadodara complex, Gujarat:

   a) Licence no. CIL: 45 (85) dated January 31, 1985 granted by the Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry and Company Affairs ("SIA") for an expansion of the annual capacity of dimethyl terephthalate (DMT) to 40,000 tpa.

   b) Licence no. CIL: 314 (84) dated September 6, 1984 granted by SIA for an expansion of the annual capacity of paraxylene to 48,600 mtpa and orthoxylene to 45,400 mtpa.

   c) Licence no. CIL: 148 (80) dated June 19, 1980 granted by SIA for an enhancement of the annual capacity of DMT to 30,000 mtpa, methyl benzoate to 300 mtpa and dimethyl isophthalate to 200 mtpa.

   d) Licence no. L/19(2)/3/68-Ch.-I dated May 28, 1968 granted by SIA to the Petrochemicals Division, Oil and Natural Gas Commission (ONGC) for setting up of a new industrial undertaking at Koyali, Gujarat with installed capacity of dimethyl terephthalate of 24,000 tpa, orthoxylene of 21,000 tpa and mixed xylene of 2,500 tpa and bye-products of dimethyl isophthalate (impure) of 80-160 tpa and methyl benzoate (impure) of 200-240 tpa. Subsequently, vide letter dated April 23, 1970, the Ministry of Petroleum, Chemicals, Mines and Metals amended the licence to state that the ownership of the undertaking has changed from ONGC to our Company. This licence was subsequently modified vide letter no. 2/15/68/PC.II/ LA (II), dated August 21, 1975 by the SIA to permit an additional installed capacity of paraxylene up to 17,000 tpa and C-9 aromation up to 10,000 tpa.

   e) Licence no. L/19(2)/12/72-ch.I dated June 1, 1972 granted by the Ministry of Industrial Development for a substantial expansion of the undertaking for manufacture of following new products: Ethylene (polymer grade) 130,000 tpa, Propylene (polymer grade) 35,000 tpa, Propylene (chemical grade) 43,300 tpa, Butadiene 22,000 tpa, Benzene 23,600 tpa, Light Pyrolysis gasoline 29,300 tpa, Heavy pyrolysis gasoline 34,600 tpa, Raffinate 8,200 tpa and Carbon Black Feedstock 2,100 mtpa. A letter no. L19(2)/12/72.ChI/LA.II(Amendment)/78 dated October 16, 1978 issued by the SIA revised the capacity of propylene (polymer grade) to 38,000 tpa and an endorsement was made on this industrial licence by the SIA vide letter dated May 4, 1979 for the addition of nitrogen and oxygen and presently, oxygen up to a capacity of 2,100 cubic metres and nitrogen up to a capacity of 2500 cubic metres is permitted.

   f) IPCL submitted an Industrial Entrepreneur Memorandum informing the Entrepreneur Assistance Unit, Department of Industrial Development, Ministry of Industry about the expansion of its polypropylene plant from 30,000 tpa to 75,000 tpa. This was acknowledged vide letter no. 2147/ SIA/IMO/93 dated July 20, 1993.

   g) Licence no. L/19(4)/19/NA/73-ch.IV dated May 24, 1973 granted by the Ministry of Industrial Development, for setting up an industrial undertaking for manufacture of low density polyethylene up to a capacity of 80,000 tpa.

   h) Licence no. L/19(6)/1/NA/73-ch.IV dated August 22, 1973 granted by the Ministry of Industrial Development, for manufacture of polybutadiene synthetic rubber up to a capacity of 20,000 tpa at Koyali, Gujarat.

   i) Licence no. L/19(4)/17/NA/73-ch.IV dated February 21, 1973 granted by the Ministry of Industrial Development, for manufacture of polypropylene resins up to a capacity of 30,000 tpa and by-products atactic polymer up to 3000 tpa.

j) An Industrial Entrepreneur Memorandum informing the Entrepreneur Assistance Unit, Department of Industrial Development, Ministry of Industry about the expansion of our polybutadiene rubber plant to 50,000 tpa. This was acknowledged vide letter no. 4079/SIA/IMO/93 dated December 6, 1993.

k) Licence no. CIL 1 (83) dated January 3, 1983 granted by the SIA permitting manufacture of petroleum resin up to 5000 tpa.

l) Licence no. CIL 204 (87) dated May 27, 1987 granted by the SIA for the enhancement of the capacity for the manufacture of linear alkyl benzene to 43,500 tpa.

m) Licence no. L/19(2)/16/NA/ 73/Chap. IV. dated June 21, 1973 granted by the SIA for the manufacture of Detergent Alkylate up to 30,000 tpa and Polyalkyl Benzenes up to 2,500 tpa. This licence was amended vide letter from SIA dated December 31, 1977 which has added another item of manufacture i.e. heavy n-paraffins in the range of C_{14}/C_{15} to C_{20} up to 25,000 tpa.

n) Licence no. CIL 174 (74) dated June 20, 1974 granted by the SIA permitting manufacture of Ethylene Glycol up to 20,000 tpa, Poly Ethylene Glycol up to 2,400 tpa and Purified Ethylene Oxide up to 5,000 tpa. Subsequently, SIA vide letter dated October 31, 1989 enhanced the capacity for Purified Ethylene Oxide to 10,000 tpa.

o) Licence no. CIL 110 (83) dated March 18, 1983 granted by the SIA permitting the manufacture of Di Ethylene Glycol up to 2,500 tpa and Tri Ethylene Glycol up to 250 tpa.

p) Licence no. CIL 193 (86) dated May 12, 1986 granted by the SIA for the expansion of capacity to manufacture Acrylonitrile to 30,000 tpa.

q) Licence no. 19(2)/15/NA/73 Ch. IV, dated August 24, 1973 granted by the SIA for the manufacture of Acrylonitrile up to 24,000 tpa, Hydrocyanic Acid up to 4,000 tpa, Acetonitrile up to 600 tpa and Ammonium Sulphate up to 16,000 tpa. The validity of this licence was extended to December 31, 1977. Subsequently, the SIA vide letter dated October 25, 1977 decreased capacity of Hydrocyanic Acid to 3,600 tpa, increased capacity of Acetonitrile to 900 tpa and disallowed production of Ammonium Sulphate.

r) Licence no. L/19(7) /6/NA/73 Ch. (IV) dated June 15, 1973 granted by the SIA for the manufacture of Acrylic Fibre up to 12,000 tpa. Subsequently, the SIA, vide licence no. CIL: 465 (84) dated December 28, 1984 expanded the capacity of the acrylic fibre plant to 24,000 tpa.

s) Licence no. CIL 70(80) dated March 17, 1980 granted by the SIA for the manufacture of Methyl Acrylate, Ethyl Acrylate, Butyl Acrylate and 2-Ethyl Hexyl Acrylate up to a combined capacity of 10,000 mtpa. This licence was amended vide letter no. CIL 50(80)/Amend/LA.II. dated March 6, 1982 issued by the SIA that permitted the manufacture of ammonium sulphate up to 12,000 tpa and vide letter no. CIL 70(80)/Amend/LA.II. dated April 7, 1982 issued by the SIA which changed 2 methyl-hexyl acrylate to 2-ethyl/hexyl/acrylate. This licence was again amended vide letter no. CIL 70(80)/LA.II/Amend/86 dated November 27, 1986 issued by SIA which increased the capacity of Aqueous Acrylate Acid to 5,000 mtpa.

t) Licence no. CIL 89 (81) dated April 29, 1981 granted by the SIA for the manufacture of poly vinyl chloride up to 55,000 tpa, vinyl chloride monomer up to 57,300 tpa and ethylene dichloride up to 1,00,000 tpa.

u) Licence no. CIL 73 (81) dated March 31, 1981 granted by the SIA for the manufacture of aromatic solvent having distillation range of 50 - 120 degrees centigrade up to 20,000 tpa, aromatic solvent having distillation range of 90 - 120 degrees centigrade up to 12,000 tpa, solvent as per IS-536 of 1968 up to 8,000 tpa, aromatic solvent having distillation range of 150 - 200 degrees centigrade up to 16,000 tpa, and aromatic solvent having distillation range of 200 - 300 degrees centigrade up to 15,000 tpa.

v) Licence No. CIL 480 (84) dated December 31, 1984 to manufacture polypropylene copolymer up to 25,000 tpa. This licence was amended vide letter dated September 30, 1986 to permit manufacture of polypropylene copolymer/ homopolymer up to 25,000 tpa, propylene up to 26,160 tpa and atactic polymer up to 2,190 tpa.

w) Industrial Entrepreneur Memorandum informing the Entrepreneur Assistance Unit, Department of Industrial Development, Ministry of Industry about the manufacture of carbon fibre by our Company. This was acknowledged vide letter no. 1182/SIA/IMO/94 dated April 18, 1994.

x) Licence no. CIL 17 (94) dated January 24, 1994 granted by the SIA permitting an expansion of butadiene from 22,000 mtpa to 36000 mtpa.

2. We have the following industrial licences for the Nagothane complex, Maharashtra:

a) CIL 206(88) dated September 7, 1988 issued by the SIA for the setting up of an integrated naphtha cracker plant at Nagothane with the maximum utilisation capacity of ethylene up to 300000 mtpa, propylene up to 90000 mtpa, carbon black feedstock up to 400 mtpa, mixed C4 up to 18,000 mtpa, pyrolysis gasoline up to 17,000 mtpa, acetylene up to 3,000 mtpa, acetylene black up to 2400 mtpa, low density polyethylene up to 80,000 mtpa, linear low density polyethylene/high density polyethylene up to 135,000 mtpa, ethylene oxide up to 5,000 mtpa, ethylene glycol up to 50,000 mtpa, diethylene glycol up to 5,000 mtpa, triethylene glycol up to 300 mtpa, polypropylene up to 50,000 mtpa, oxygen up to 40 $mmnm^3$, nitrogen up to 21 $mmnm^3$ and high purity hydrogen up to 0.4 $mmnm^3$. This licence has been endorsed for Butene-I up to a capacity of 15,000 tpa vide letter dated May 27, 1991 by the SIA.

b) Licence no. CIL 23 (99) dated May 4, 1999 granted by the SIA for expansion of the installed capacity of ethylene to 4,00,000 mtpa, linear low density polyethylene/high density polyethylene to 2,10,000.

3. We have the following industrial licences for Gandhar complex, Gujarat:

a) CIL 29(95) dated April 26, 1995 issued by the SIA for the setting up of an integrated gas based petrochemical complex at Bharuch with the maximum utilisation capacity of ethane/propane up to 450000 mtpa, ethylene up to 300000 mtpa, propylene up to 20000 mtpa, butadiene up to 10000 mtpa, ethylene dichloride up to 240000 mtpa, vinyl chloride polymer up to 158000 mtpa, poly vinyl chloride up to 150000 mtpa, ethylene oxide up to 20000 mtpa, ethylene glycol up to 100000, alpha olefins up to 100000, pyrolsis naphtha up to 10000 mtpa, mixed C_4 stream up to 4000 mtpa, fuel oil up to 1000 mtpa, chlorine up to 105000 mtpa, caustic soda up to 120000 mtpa, alcohol ethoxylates up to 100000 mtpa, primary alcohols up to 100000 mtpa. The Ministry of Chemicals and Fertilisers vide letters dated May 1, 1997, February 20, 1998 and May 10, 1999 extended the time for commencement of production of the Gandhar complex up to May 10, 2000. In addition, we had sent a letter dated April 16, 1997 to the Secretary, Department of Chemicals and Petrochemicals, New Delhi requesting suitable amendment in our industrial licence to incorporate HDPE plant with a capacity of 160,000 tonnes/annum.

4. We have the following industrial licences for Catalysts and Adsorbents Division, Maharashtra:

a) Industrial Licence no. CIL 339 (76) dated September 10, 1976 granted by the SIA to ‘Associated Cements Companies Limited’ for the manufacture of catalysts and absorbents, namely, synthetic zeolites type A up to 300 tpa, synthetic zeolites type X up to 400 tpa, other special types of synthetic zeolites up to 200 tpa, specified alumina products up to 1050 tpa, alumina based catalysts up to 300 tonnes and other specified catalysts up to 1000 tpa. The SIA, vide letter dated January 18, 1988 endorsed this licence pursuant to transfer of ownership of CATAD to our Company.

II. LICENCES TO STORE COMPRESSED GAS IN PRESSURE VESSEL OR VESSELS

1. Vadodara Complex, Gujarat

a) Gaseous Storage Licence No. PV (WC) S-40/GJ: BRD: PV/S-10 dated April 4, 1984 granted by the Chief Controller of Explosives for the storage of Ethylene Oxide (125 metric tonnes) in 2 pressure vessels. The licence is valid up to March 31, 2004.

2. Nagothane Complex, Maharashtra

a) Gaseous Storage Licence No PV (WC) S-373/MS/MR/KOL/PV/S-39 dated February 13, 1989 granted by the Chief Controller of Explosives for storage of Propylene in 5 vessels. The licence is valid up to March 31, 2005.

b) Gaseous Storage Licence No PV (WC) S-412/MS/MR/KOL/PVS-49 dated January 2, 1990 granted by the Chief Controller of Explosives for storage of Butane I and C4 Mix. The licence is valid up to March 31, 2005.

c) Gaseous Storage Licence No PV (WC) S-953/MS/MR/KOL/PV/S/126 MS dated April 2, 1998 granted by the Chief Controller of Explosives for storage of 170 metric tonnes C4 Mix and Butane. The licence is valid up to March 31, 2005.

d) Gaseous Storage Licence No PV (WC) S-372/MS/MR/KOL/PV/S/48 dated November 9, 1989 granted by the Chief Controller of Explosives for storage of LPG of 25 metric tonnes. The licence is valid up to March 31, 2005.

e) Gaseous Storage Licence No PV (WC) S-371/MS/MR/KOL/PV/S/42 dated March 16, 1989 granted by the Chief Controller of Explosives for storage of Propylene up to 38 metric tonnes. The licence is valid up to March 31, 2005.

f) Gaseous Storage Licence No PV (WC) S-535/MS/MR/KOL/PV/S/65 dated November 20, 1991 granted by the Chief Controller of Explosives for storage of 130 M3 of Hydrogen at 100 kgs/cm^2. The licence is valid up to March 31, 2005.

g) Gaseous Storage Licence No PV (WC) S-404/MS/MR/KOL/PV/S/46 dated September 7, 1989 granted by the Chief Controller of Explosives for storage of 200 M3 of Oxygen at 40 kg/cm^2. The licence is valid up to March 31, 2005.

h) Gaseous Storage Licence No PV (WC) S-370/MS/MR/KOL/PVS-47 dated November 28, 1989 granted by the Chief Controller of Explosives for storage of Ethylene Oxide up to 140 metric tonnes. The licence is valid up to March 31, 2005.

i) Gaseous Storage Licence No PV (WC) S-1106/MS/MR/KOL/PV/S/158 dated December 21, 2000 granted by the Chief Controller of Explosives for storage of Liquid Nitrogen up to 74.7. metric tonnes. The licence is valid up to March 31, 2005.

3. Catalysts and Adsorbents Division, Maharashtra

a) Gaseous Storage Licence No PV/(WC) S- 1129/MS dated April 20, 2001 granted by the Chief Controller of Explosives for import and storage of 14.6 metric tonnes liquid nitrogen and is valid up to March 31, 2004.

III. LICENCES TO STORE COMPRESSED GAS IN CYLINDER

1. Vadodara Complex, Gujarat

a) Gaseous Storage Licence No. GJ: BRD/ GC-S-94 dated December 8, 1995 granted by the Chief Controller of Explosives for the storage of Hydrogen (108 tonnes). The licence is valid up to March 31, 2004.

b) Gaseous Storage Licence No. GJ: BRD/LPG/S-91 dated October 22, 1999 granted by the Chief Controller of Explosives for the storage of LPG (570 kilograms). The licence is valid up to March 31, 2004.

2. Nagothane Complex, Maharashtra

a) Gaseous Storage Licence No. MR/KOL/GC/S-40 dated September 12, 1990 granted by the Chief Controller of Explosives for the storage of toxic gas up to 50 cylinders, non-toxic and non-flammable gas up to 50 cylinders, non-toxic and flammable gas up to 40 cylinders and dissolved acetylene gas up to 20 cylinders. The licence is valid up to March 31, 2005.

b) Gaseous Storage Licence No. MR/KOL/LPG/S-34 dated January 12, 1990 granted by the Chief Controller of Explosives for the storage of liquefied petroleum gas up to 6320 kilograms. The licence is valid up to March 31, 2005.

3. Gandhar Complex, Gujarat

a) Gaseous Storage Licence No. GJ/BRO/GC/S-53 dated October 11, 1996 granted by the Joint Chief Controller of Explosives for the storage of nitric oxide and ammonia (75 kilograms). Nitrogen, matron, helium gas (75 kilograms), oxygen and argon (25 kilograms) and hydrogen (25 kilograms). The licence is valid up to March 31, 2006.

IV. LICENCES TO IMPORT AND STORE PETROLEUM IN INSTALLATION

1. Vadodara Complex, Gujarat

a) Licence No. P-12 (25) 715/GJ/BRD-214, dated July 28, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 130 KL of Petroleum and is valid up to December 31, 2004.

b) Licence No. P-12 (25) 790/GJ/BRD-266, dated April 20, 1980 granted by the Joint Chief Controller of Explosives for the import and storage of 115 KL of Petroleum and is valid up to December 31, 2004.

c) Licence No. P-12 (25) 550/GJ/BRD-211, dated February 24, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 810 KL of Petroleum and is valid up to December 31, 2004.

d) Licence No. P-12 (25) 736/GJ/BRD-213, dated June 30, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 1175 KL of Petroleum and is valid up to December 31, 2004.

e) Licence No. P-12 (25) 750/GJ/BRD-224, dated November 2, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 281 KL of Petroleum and is valid up to December 31, 2004.

f) Licence No. P-12 (25) 1215/GJ/BRD-330, dated September 21, 1984 granted by the Joint Chief Controller of Explosives for the import and storage of 250 KL of Petroleum and is valid up to December 31, 2004.

g) Licence No. P-12 (25) 942/GJ/BRD-306, dated October 13, 1982 granted by the Joint Chief Controller of Explosives for the import and storage of 50 KL of Petroleum and is valid up to December 31, 2004.

h) Licence No. P-12 (25) 1312/GJ/BRD-320, dated February 18, 1984 granted by the Joint Chief Controller of Explosives for the import and storage of 50 KL of Petroleum and is valid up to December 31, 2004.

i) Licence No. P-12 (25) 844/GJ/BRD-244, dated January 03, 1979 granted by the Joint Chief Controller of Explosives for the import and storage of 12000 KL of Petroleum and is valid up to December 31, 2004.

j) Licence No. P-12 (25) 754/GJ/BRD-220, dated November 21, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 8575 KL of Petroleum and is valid up to December 31, 2004.

k) Licence No. P-12 (25) 1465/GJ/BRD-401, dated October 31, 1988 granted by the Joint Chief Controller of Explosives for the import and storage of 82,600 KL of Petroleum and is valid up to December 31, 2004.

l) Licence No. P-12 (25) 1743/GJ/BRD-370, dated March 10, 1987 granted by the Joint Chief Controller of Explosives for the import and storage of 2700 KL of Petroleum and is valid up to December 31, 2004.

m) Licence No. P-12 (25) 1311/GJ/BRD-386, dated December 28, 1987 granted by the Joint Chief Controller of Explosives for the import and storage of 250 KL of Petroleum and is valid up to December 31, 2004.

n) Licence No. P-12 (25) 759/GJ/BRD-221, dated July 27, 1982 granted by the Joint Chief Controller of Explosives for the import and storage of 14, 635 KL of Petroleum and is valid up to December 31, 2004.

o) Licence No. P-12 (25) 2732, dated September 03, 1996 granted by the Joint Chief Controller of Explosives for the import and storage of 1750 KL of Petroleum and is valid up to December 31, 2004.

p) Licence No. GJ/BRD-524, dated July 08, 1996 granted by the Joint Chief Controller of Explosives for the import and storage of 30 KL of Petroleum and is valid up to December 31, 2004.

q) Licence No. P-12 (25) 737/GJ/BRD-215, dated July 13, 1977 granted by the Joint Chief Controller of Explosives for the import and storage of 63,250 KL of Petroleum and is valid up to December 31, 2004.

r) Licence No. P-12 (25) 397/II/GJ/BRD-159, dated October 1978 granted by the Joint Chief Controller of Explosives for the import and storage of 36,638 KL of Petroleum and is valid up to December 31, 2004.

s) Licence No. GJ/BRD-605 dated April 2, 2001 granted by the Joint Chief Controller of Explosives for the import and storage of 26,000 KL of Petroleum and is valid up to December 31, 2004.

2. Nagothane Complex, Maharashtra

a) Licence No. P-12 (7) 3158/MR /KOL 330 dated October 5, 1989 granted by the Joint Chief Controller of Explosives for the import and storage of 10,380 KL of Petroleum and is valid up to December 31, 2004.

b) Licence No. P-12 (7) 2944/MR /KOL 328 dated March 21, 1989 granted by the Joint Chief Controller of Explosives for the import and storage of 2061.6 KL of Petroleum and is valid up to December 31, 2004.

c) Licence No. P-12 (7) 4313/MR /KOL 598 dated June 22, 1998 granted by the Joint Chief Controller of Explosives for the import and storage of 950 KL of Petroleum and is valid up to December 31, 2004.

d) Licence No. P-12 (7) 2983/MR /KOL 333 dated March 21, 1990 granted by the Joint Chief Controller of Explosives for the import and storage of 340 KL of Petroleum and is valid up to December 31, 2004.

e) Licence No. P-12 (7) 3534/MR /KOL 418 dated August 18, 1992 granted by the Joint Chief Controller of Explosives for the import and storage of 100 KL of Petroleum and is valid up to December 31, 2004.

f) Licence No. P-12 (7) 2906/MR /KOL 324 dated July 13, 1989 granted by the Joint Chief Controller of Explosives for the import and storage of 15 KL of Petroleum and is valid up to December 31, 2004.

g) Licence No. P-12 (7) 3318/MR /KOL 352 dated January 16, 1991 granted by the Joint Chief Controller of Explosives for the import and storage of 20 KL of Petroleum and is valid up to December 31, 2004.

h) Licence No. P-12 (7) 2984/A/MR/ KOL 336 dated May 7, 1990 granted by the Joint Chief Controller of Explosives for the import and storage of 20 KL of Petroleum and is valid up to December 31, 2004.

3. Gandhar Complex, Gujarat

a) Licence No P-12 (25) 3255/GJ BRO-445 dated September 2, 1999 granted by the Joint Chief Controller of Explosives for the import and storage of 20 KL of Petroleum and is valid up to December 31, 2006.

b) Licence No P-12 (25) 3256/GJ BRO- 429 dated January 5, 1999 granted by the Joint Chief Controller of Explosives for the import and storage of 1250 KL of Petroleum and is valid up to December 31, 2006.

c) Licence No P-12 (25) 3706/GJ BRO- 444 dated September 2, 1999 granted by the Joint Chief Controller of Explosives for the import and storage of 100 KL of Petroleum and is valid up to December 31, 2006.

d) Licence No P-12 (25) 3758/GJ/BRO-500 dated November 29, 2001 granted by the Joint Chief Controller of Explosives for the import and storage of 106 KL of Petroleum and is valid up to December 31, 2006.

4. **Catalysts and Adsorbents Division, Maharashtra**

a) Licence number P-12 (7) 2771/MR/TH-743 dated November 7, 1985 granted by the Deputy Chief Controller of Explosives for the import and storage of 584 KL of petroleum and is valid up to December 31, 2005.

V. BOILER LICENCES

1. Vadodara Complex, Gujarat

a) Boiler Licence no. G-T 2654 dated May 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 25, 2004.

b) Boiler Licence no. G-T 2652 dated November 20, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to October 20, 2004.

c) Boiler Licence no. G-T 2653 dated November 20, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to October 20, 2004.

d) Boiler Licence no. G-T 2391 dated June 2, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 24, 2004.

e) Boiler Licence no. G-T 1741 dated November 20, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to October 10, 2004.

f) Boiler Licence no. G-T 1877 dated February 5, 2001 granted by the Gujarat Boiler Inspection Department and is valid up to January 30, 2005.

g) Boiler Licence no. G-T 1881 dated April 24, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 22, 2005.

h) Boiler Licence no. G-T 1849 dated December 4, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to November 14, 2004.

i) Boiler Licence no. G-T 1880 dated April 24, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 22, 2005.

j) Boiler Licence no. G-T 1828 dated March 26, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to February 27, 2005.

k) Boiler Licence no. G-T 1878 dated May 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 7, 2005.

l) Boiler Licence no. G-T 2257 dated May 26, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 16, 2005.

m) Boiler Licence no. G-T 2260 dated May 26, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 16, 2005.

n) Boiler Licence no. G-T 2261 dated May 26, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 16, 2005.

o) Boiler Licence no. G-T 1879 dated April 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 25, 2005.

p) Boiler Licence no. G-T 3678 dated December 9, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to November 5, 2005.

q) Boiler Licence no. G-T 3679 dated December 9, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to November 5, 2005.

r) Boiler Licence no. G-T 1827 dated December 10, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to November 22, 2004.

s) Boiler Licence no. G-T 1825 dated May 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 22, 2004.

t) Boiler Licence no. G-T 1826 dated February 21, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to January 29, 2004.

u) Boiler Licence no. G-T 2596 dated May 8, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to April 24, 2004.

v) Boiler Licence no. G-T 2654 dated May 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 25, 2004.

w) Boiler Licence no. G-T 2655 dated May 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 25, 2004.

x) Boiler Licence no. G-T 2275 dated May 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 25, 2004

y) Boiler Licence no. G-T 1710 dated July 14, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to June 30, 2004.

z) Boiler Licence no. G-T 2262 dated May 26, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 16, 2005.

aa) Economiser Licence no. G-T/E/223 dated April 30, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 21, 2005.

bb) Economiser Licence no. G-T/E/224 dated April 30, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 21, 2005.

2. Nagothane Complex, Maharashtra

a) Boiler Licence no. MR/11562 dated April 28, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to April 23, 2004.

b) Boiler Licence no. MR/11559 dated March 24, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to March 19, 2004.

c) Boiler Licence no. MR/11555 dated October 31, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to October 21, 2004.

d) Boiler Licence no. MR/11772 dated May 10, 2002 granted by the Maharashtra Boiler Inspection Department and is valid up to May 2, 2004.

e) Boiler Licence no. MR/12889 dated March 24, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to March 19, 2004.

f) Boiler Licence no. MR/11576 dated October 16, 2002 granted by the Maharashtra Boiler Inspection Department and is valid up to October 9, 2004.

g) Boiler Licence no. MR/11577 dated November 16, 2002 granted by the Maharashtra Boiler Inspection Department and is valid up to November 13, 2004.

h) Boiler Licence no. MR/11578 dated May 10, 2002 granted by the Maharashtra Boiler Inspection Department and is valid up to April 30, 2004.

i) Boiler Licence no. MR/11575 dated May 5, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to April 8, 2004.

j) Boiler Licence no. MR/11766 dated November 28, 2003 granted by the Maharashtra Boiler Inspection Department and is valid up to February 19, 2004.

3. Gandhar Complex, Gujarat

a) Boiler Licence no. GT/3756 dated January 31, 2002 granted by the Gujarat Boiler Inspection

Department and is valid up to January 29, 2004.

b) Boiler Licence no. GT/3764 dated September 11, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to August 30, 2005.

c) Boiler Licence no. GT/3767 dated December 24, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to December 10, 2004.

d) Boiler Licence no. GT/3765 dated December 24, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to December 10, 2004.

e) Boiler Licence no. GT/3684 dated August 4, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to July 22, 2004.

f) Boiler Licence no. GT/3766 dated January 30, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to January 30, 2004.

g) Boiler Licence no. GT/3755 dated May 28, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to May 16, 2004.

h) Boiler Licence no. GT/4187 dated December 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to November 18, 2005.

i) Boiler Licence no. GT/4188 dated December 5, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to November 18, 2005.

j) Boiler Licence no. GT/4189 dated November 28, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to November 22, 2004.

k) Boiler Licence no. GT/4190 dated January 28, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to January 28, 2005.

l) Boiler Licence no. GT/4191 dated April 24, 2003 granted by the Gujarat Boiler Inspection Department and is valid up to April 2, 2005.

m) Boiler Licence no. GT/4192 dated September 16, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to September 6, 2004.

n) Boiler Licence no. GT/4320 dated September 24, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to May 10, 2004.

o) Boiler Licence no. GT/4321 dated September 24, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to May 10, 2004.

p) Boiler Licence no. GT/4322 dated September 24, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to May 10, 2004.

4. Catalysts and Adsorbents Division, Maharashtra

a) Boiler Licence no. MR/12426 dated January 27, 2003 granted by the Bombay Boiler Inspection Department and is valid up to January 22, 2004.

V. LICENCES UNDER THE FACTORIES ACT, 1948

Factory licence no. 012770 dated January 2, 2002 issued by the Chief Inspector of Factories, Vadodara on Registration Number 30(305.9) 1-A) to employ over 5000 persons on any day and use over 5000 horsepower in the Vadodara complex and is valid until April 5, 2004.

VI. OTHER OPERATIONAL LICENCES/APPROVALS

1. Vadodara Complex, Gujarat

a) Licence No. 38/88-90 dated June 6, 1988 granted by the Superintendent of Prohibition and Excise, Vadodara for the purchase, possession and use of methyl alcohol up to 20,00,000 KL for manufacturing of dimethyl terephthalate through the pipeline process. This licence is valid up to March 31, 2004.

b) Licence no. 7/1(492)/2001-PSU/DU/123 dated October 3, 2001 granted by the Department of Atomic Energy for acquiring, possessing and handling 16.8 kg of Depleted Uranium contained as a part of the Radiography Camera Model Amertest - 660 installed at our Company. The licence is valid up to September 30, 2004.

c) Licence no. 7/1(492)/2001-PSU/DU/124 dated October 3, 2001 granted by the Department of Atomic Energy for acquiring, possessing and handling 16.8 kg of Depleted Uranium contained as a part of the Radiography Camera Model Tech - Ops - 660 installed at our Company. The licence is valid up to September 30, 2004.

d) Licence No. BRD/4/2000 dated December 7, 2000 granted by the Joint Chief Controller of Explosives for the storage of 66,000 KL of Naphtha and is valid up to December 31, 2004.

e) Licence No. S/40/97-98 dated April 1, 1997 granted by the Superintendent of Prohibition and Excise, Baroda for the purchase, possession and use of ethyl alcohol up to 36,00,000 KL for manufacturing of special dentured spirit with 2% ethyl acrelate. This licence is valid up to March 31, 2004.

f) Letter no. TU/IV-RD/101/2003 dated May 6, 2003 by the Department of Scientific and Industrial Research renewing the recognition of in-house research and development unit at Vadodara up to March 31, 2006.

2. Nagothane Complex, Maharashtra

a) Approval vide letter no. REGD/ADV-IR/WR-Gen/19751/93 dated August 11, 1993 granted by the Bhabha Atomic Research Centre for the radiography source storage facility.

b) Approval vide letter no. MGCC/S/FI/33 dated October 6, 1993 granted by the Bhabha Atomic Research Centre for the storage building for radioactive sources and nucleonic gauges.

c) No-objection certificate no. BT-1/NOCC/CENL/ 28637 dated October 15, 1986 granted by the National Airports Authority for a tall structure being proposed for Maharashtra Gas Cracker complex Project at Nagothane.

d) No-objection certificate no. CH//1417/514 dated October 23, 1987 granted by the Ministry of Communications for mast height clearance at Nagothane.

e) No-objection certificate no. AAI/NAD/20013/969/96 dated May 5, 1987 granted by the Airports Authority of India for mast height clearance at Nagothane.

f) Approval dated April 17, 1998 granted by the Directorate of Industrial Safety and Health for extension of Air Separation Plant.

g) Approval dated April 17, 1998 granted by the Directorate of Industrial Safety and Health for expansion of Industrial Medical Centre Building.

h) Approval dated June 11, 1999 granted by the Directorate of Industrial Safety and Health for high pressure blow down vessel at PP Plant.

i) Approval No. PLN/VKP-R-100/89/548 dated October 11, 1989 by the granted by the Deputy Chief Inspector of Factories approving the plans of the factory building/machinery layout utilities and offsite plants of our Company. Subsequently, this approval was extended vide approval dated September 13, 1990 by the Deputy Chief Inspector of Factories approving plans of the factory, building etc. of LLDPE, HDPE, Butene-1 and waste water and spent caustic treatment plants.

j) Approval dated October 15, 1999 granted by the Directorate of Industrial Safety and Health for new Hexane Dryer in LLDPE Plant.

k) Approval dated October 15, 1999 granted by the Directorate of Industrial Safety and Health for Hydrogen Booster Compressor at Hydrogen Area of PP Plant.

l) Approval dated October 15, 1999 granted by the Directorate of Industrial Safety and Health for false ceiling at the workshops (mechanical; instrument and electrical) and air conditioning on the ground and first floor.

m) Approval dated October 11, 1999 granted by the Directorate of Industrial Safety and Health for the pipelines from IPCL to Sun Petro Pvt. Limited

n) Approval dated May 3, 2000 granted by the Directorate of Industrial Safety and Health for installation of 2 Waste Solvent Storage Tanks at LDPE Plant.

o) Approval dated June 28, 2000 granted by the Directorate of Industrial Safety and Health for additional Warehouse for storage of polymer products.

p) Approvals dated October 11, 2000 and February 14, 2001 granted by the Directorate of Industrial Safety and Health for Technicians Change Room.

q) Approval dated March 27, 2001 granted by the Directorate of Industrial Safety and Health for installation of two sulphuric acid tanks.

r) Approval dated October 27, 2003 granted by the Directorate of Industrial Safety and Health for storage tank of raw aromatic rich feed store.

s) Approval dated March 24, 1992 granted by the Directorate of Industrial Safety and Health for storage of hydrogen.

3. Gandhar Complex, Gujarat

a) No-objection certificate no. NAA/20012/442/94-ARI dated January 24, 1995 granted by the Airports Authority of India for the installation of tall column structure chimney in the Gandhar complex.

b) No-objection certificate no. NAA/20012/112/98-ARI dated May 20, 1998 granted by the Airports Authority of India for the construction of a chimney in the Gandhar complex.

c) Application dated October 29, 2003 for renewal of Naphtha Licence No: W/53/2000 and Solvent Licence No: W/58/2000, both dated November 13, 2000 for the years 2004 and 2005.

d) Licence No. 92/9698 dated March 27, 1997 granted by the Superintendent of Prohibition and Excise, Baroda for the purchase, possession and use of methyl alcohol for de-icing of pipelines in case of ice formation. This licence is valid up to March 31, 2004.

4. Catalysts and Adsorbents Division, Maharashtra

a) Licence number CR/VGL/MISC/SOLVENT/2000/102 dated October 8, 2003 issued for acquisition, storage, sale, use of solvent, raffinate and slop to our Company for a quantity of solvent up to 100 KL/per month and L.D.O up to 100 KL/per month. This licence is valid up to October 7, 2004.

VII. SALES TAX REGISTRATION

1. Sales Tax Registration Certificate No. 400 049 S210 for sales of Polymer warehouse/ liquid dated March 19, 1996, in the name of our Company. This certificate is valid from April 1, 1996 until cancelled. (Maharashtra)

2. Central Sales Tax Registration Certificate No. 400 049 C187 for use in manufacturing and processing of polymer warehouse/liquid for sale dated March 19, 1996 in the name of our Company. This certificate is valid from April 1, 1996 until cancelled. (Maharashtra)

3. Sales Tax Registration Certificate No. DNH/ST/2443 for resale of polymer products, chemical products, fibres and fibre intermediaries dated September 12, 1997, in the name of our Company. This certificate is valid from September 11, 1997 until cancelled. (Dadra and Nagar Haveli)

4. Central Sales Tax Registration Certificate No. DNH/CST/2373 for resale of polymer products, chemical products, fibres and fibre intermediaries dated September 12, 1997, in the name of our Company. This certificate is valid from September 11, 1997 until cancelled. (Dadra and Nagar Haveli)

5. Sales Tax Registration Certificate no. 0820088 for having branches, godowns and other storage tanks for chemicals dated December 18, 1982, in the name of our Company. This certificate is valid from August 12, 1976 until cancelled. (Tamil Nadu)

6. Central Sales Tax Registration Certificate no. 40756/82 for use in manufacturing or processing of plastic grannals for sale dated December 18, 1982. This certificate is valid from August 12, 1976 until cancelled. (Tamil Nadu)

7. Taxpayer Identification Number LC/089/07390023586/1176 for resale of specified goods dated October 18, 2003 in the name of our Company. This certificate is valid from October 18, 2003 until cancelled. (Delhi)

8. Central Sales Tax Registration Certificate No. 04359562 for registration as a dealer dated November 5, 1976 in the name of our Company. This certificate is valid from September 9, 1976 until cancelled. (Karnataka)

9. Sales Tax Registration Certificate no. BNET-1/ 778/ 83-84 for registration as a dealer dated May 2, 1983 in the name of our Company. This certificate is valid from May 2, 1983 until cancelled. (Karnataka)

10. Central Sales Tax Registration Certificate No. PJT/01/2/1756/93-94 for business in low density polyethylene, polypropylene and Polyvinyl chloride dated February 1, 1994 in the name of our Company. This certificate is valid from November 1, 1983 until cancelled. (Andhra Pradesh)

11. Sales Tax Registration Certificate No. PJT/01/2/2186/93-94 for registration as a dealer dated February 1, 1994 in the name of our Company. This certificate is valid from November 1, 1983 until cancelled. (Andhra Pradesh)

12. Central Sales Tax Registration Certificate No. Da (CST)/2481 for resale in polymer products, chemical products, fibres and fibre intermediate dated February 26, 1993 in the name of our Company. This certificate is valid from February 24, 1993 until cancelled. (Daman and Diu)

13. Sales Tax Registration Certificate No. Da/2986 for resale in polymer products, chemical products, fibres and fibre intermediates dated February 26, 1993 in the name of our Company. This certificate is valid from February 24, 1993 until cancelled. (Daman and Diu)

14. Sales Tax Registration Certificate No. 2107000446 for manufacture, reseller, importer, exporter and wholesales dated July 27, 2002 in the name of our Company. This certificate is valid from July 1, 2002 until cancelled. (Gandhar complex, Gujarat)

15. Sales Tax Registration Certificate No. 1918001038 for manufacture, reseller, importer, exporter dated December 20, 2002 in the name of our Company. This certificate is valid from July 1, 2002 until cancelled. (Baroda complex, Gujarat and all other depots in Gujarat)

16. Central Sales Tax Registration Certificate No. GUJ9B213 for resale and use in manufacture of various products dated January 9, 1970 in the name of our Company. This certificate is valid from January 5, 1970 until cancelled. (Gujarat)

17. Sales Tax Registration Certificate No. 50537811 for resale of petrochemical products dated May 22, 1979 in the name of our Company. This certificate is valid from March 16, 1979 until cancelled. (Punjab)

18. Sales Tax Registration Certificate No. GD0122158 for resale of petrochemical products dated January 6, 1979 in the name of our Company. This certificate is valid from January 2, 1979 until March 31, 1998. (Uttar Pradesh)

19. Sales Tax Registration Certificate No. AW/1012 for manufacturing and processing LDPE, importing PVC granules and powers and sale of polypropylene and products related to manufacture of LDPE dated April 20, 1998 in the name of our Company. This certificate is valid from May 1, 1995 until cancelled. (West Bengal)

20. Central Sales Tax Registration Certificate No. 1012(AW) C for resale of polypropylene dated April 20, 1998 in the name of our Company. This certificate is valid from April 10, 1977 until cancelled. (West Bengal)

VIII. EXCISE AND SERVICE TAX REGISTRATIONS AND IMPORTER-EXPORTER CODE

1. Central Excise Registration Certificate issued under Rule 9 of the Central Excise (No. 2) Rules, 2001 allotting registration number AAACI4415QXM002 stating that our Company is registered for manufacture at Nagothane. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

2. Central Excise Registration Certificate issued under Rule 9 of the Central Excise (No. 2) Rules, 2001 allotting registration number AAACI4415QXM001 stating that our Company is registered for manufacture plastics, petroleum products, acrylic fibre, organic chemicals, rubber and rubber products etc. at Vadodara. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

3. Central Excise Registration Certificate issued under Rule 9 of the Central Excise (No. 2) Rules, 2001 allotting registration number AAACI4415QXM004 stating that our Company is registered for manufacture at Gandhar complex. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

4. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD037 stating that our Company is registered for operating a manufacturer's depot at Vadodara. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

5. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD039 stating that our Company is registered for operating a manufacturer's depot at United Storage and Tank Terminals Limited, Kutch, Gujarat. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

6. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD040 stating that our Company is registered for operating a manufacturer's depot at IPCL, GCPTCL Tank Number 44TT, CR 012B, Lakhigam, Dahej, Bharuch, Gujarat. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

7. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD033 stating that our Company is registered for operating a manufacturer's depot at Amarnath Estate, Ahmedabad, Gujarat. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or is revoked or suspended.

8. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD027 stating that our Company is registered for operating a manufacturer's depot at Indore, Madhya Pradesh. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

9. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD003 stating that our Company is registered for operating a manufacturer's depot at Godown Number 5, Vadodara, Gujarat. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

10. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD030 stating that our Company is registered for operating a manufacturer's depot at Bangalore Urban, Karnataka. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

11. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD026 stating that our Company is registered for operating a

manufacturer's depot at Hyderabad Urban, Andhra Pradesh. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

12. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD 032 stating that our Company is registered for operating a manufacturer's depot at Perambur, Chennai. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

13. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD011 stating that our Company is registered for operating a manufacturer's depot at Kolkata, West Bengal. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

14. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD031 stating that our Company is registered for operating a manufacturer's depot at Raigad, Maharashtra. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

15. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD029 stating that our Company is registered for operating a manufacturer's depot at M.I.D.C., Nagpur, Maharashtra. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

16. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD038 stating that our Company is registered for operating a manufacturer's depot at Shriniwas Electrosteel Limited, Dadra and Nagar Haveli. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

17. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD023 stating that our Company is registered for operating a manufacturer's godown at Daman. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

18. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD028 stating that our Company is registered for operating a manufacturer's depot at Faridabad, Haryana. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

19. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXM007 stating that our Company is registered for operating a manufacturer's depot at Udyog Nagar, Kanpur, Uttar Pradesh. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

20. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXM008 stating that our Company is registered for operating a manufacturer's depot at IPCL, J.P. Home Products. Ghaziabad, Uttar Pradesh. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

21. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD007 stating that our Company is registered for operating as a dealer of excisable goods at IPCL, c/o North Highway Transport Carrier, Alipur, Delhi. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the

certificate or until it is revoked or suspended.

22. Central Excise Registration Certificate issued under Rule 9 of the Central Excise Rules, 2002 allotting registration number AAACI4415QXD025 stating that our Company is registered for operating as a dealer of excisable goods at Ludhiana, Punjab. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate or until it is revoked or suspended.

23. Central Excise Registration Certificate issued under Rule 9 of the Central Excise (No. 2) Rules, 2001 allotting registration number AAACI4415OXM003 stating that our Company is registered for manufacture at CATAD. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

24. Certificate of Registration dated October 24, 2003 registering our Company with the Central Excise Department for payment of service tax on services of consulting engineer (on behalf of foreign vendors). The registration number is CES/VAD-II (BRH)/02/IPCL/2003. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrender of the certificate is accepted by the Central Excise Officer, whichever is earlier.

25. Certificate of Registration dated December 19, 1997 registering our Company for collecting service tax on goods transport operators. The registration number is GTO/Ahd-I/342. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier.

26. Certificate of Registration no.10/Ch.38, 39,40,55/R.VIII/JPR/2000-2001 dated January 22, 2001 registering our Company to cure/produce/manufacture/carry on wholesale trade/business/ broker or commission agent or obtain excisable goods for special industrial purposes. This certificate remains valid until the holder carries on the activity for which the certificate has been issued or surrenders the certificate, whichever is earlier. (Jaipur)

27. Letter dated May 31, 1988 issued by the Ministry of Commerce allotting an Importer Exporter Code 0888021828 to our Company.

IX. ENVIRONMENTAL CLEARANCES

1. Vadodara Complex, Gujarat

a) Consent order no. 21079 dated March 15, 2003 issued by the Gujarat Pollution Control Board for operation of the industrial plant at Petrochemicals Dist. Baroda and manufacture of monthly capacities of DMT up to 2385 mt, acrylic fibre up to 880 mt, dry spun up to 776 mt, LDPE up to 7000 mt and HP Steam of 210 tph and electricity of 15 megawatt per month. This order has been renewed up to October 30, 2004 vide letter no. PCAIR/VRD/63/18187 dated June 13, 2003 issued by the Gujarat Pollution Control Board. (Air Pollution)

b) Consent order no. 27457 dated June 29, 2002 issued by the Gujarat Pollution Control Board for discharge of effluent up to 41000 litres per day and the quantity of the sewage shall not exceed 6000 kilo litres per day from the industrial plant at Petrochemicals Dist. Baroda subject to certain conditions. This order has been renewed up to March 4, 2004 vide letter no. PCAIR/VRD/6(12)/25634 dated August 17, 2002 issued by the Gujarat Pollution Control Board. (Water Pollution)

c) Authorisation no. 544 dated January 3, 2003 granted by the Gujarat Pollution Control Board to authorise our Company to operate a facility for collection, storage, transport, disposal, incineration, selling of hazardous wastes at its factory premises in Baroda. The authorisation is in force up to November 26, 2007.

d) Environmental clearance no. J-11011/13/99-IA.II (I) dated September 27, 1999 granted by the Ministry of Environment and Forests for enhancement in production of ethylene from existing 1,40,000 tonnes per annum to 3,00, 000 tonnes per annum, expansion of the LDPE manufacturing facility from the existing 80,000 tonnes per annum to 2,40,000 tonnes per annum and generation of additional 35 MW power in the existing petrochemical complex near the Vadodara complex subject to prescribed conditions.

2. **Nagothane Complex, Maharashtra**

a) No-objection certificate no. ENV (NOC) 1087/1116/CR-189/D-II dated June 14, 1988 granted by the Environment Department, Government of Maharashtra for environmental clearance for manufacture at the petrochemicals complex, MGCC, Nagothane.

b) Site Clearance Letter dated December 26, 1984 from the Department of Environment to the Secretary, Ministry of Energy, New Delhi for the proposal of locating the petrochemical complex at Nagothane.

c) Office Memorandum No. J-11011/12/89-IA.II dated November 30, 1989 granted by the Ministry of Environment and Forests, Government of India for the production of ethylene up to 4,00,000 tpa, HDPE up to 75,000 mta, LLDPE/HDPE up to 160,000 mta and wire and cable compound up to 25,000 mta.

d) Consent order no. BO/TB/Raigad-83/CC-671 dated July 12, 2002 issued by the Maharashtra Pollution Control Board for consent to operate under air, water and hazardous waste regulations and is valid up to December 31, 2003 except that that validity of the hazardous waste regulations will be July 11, 2007. This consent is based on the following conditions:

   (i) The consent is valid for the manufacture of ethylene up to 4,00,000 mta, propylene up to 90,000 mta, ethylene glycol up to 50,000 mta, ethylene oxide up to 5,000 mta, LDPE up to 80,000 mta, LLDPE/HDPE up to 2,20,000, polypropylene up to 60,000 mta, butene-I up to 15,000 mta, acetylene up to 3,000 mta and wire and cable compound up to 25,000 mta. In addition, the following by-products are included acetylene black up to 2400 mtpa, pyrolysis gasoline/ fuel oil up to 23000 mtpa, c4-mix up to 24000 mtpa, polyethylene glycol up to 4409 mtpa, tar (GC) up to 30 mtpa and prepolymer powder up to 30 mtpa.

   (ii) The daily quantity of discharge of industrial effluent will be 14, 760 metric cube and sewage effluent shall not exceed 7640 metric cube.

e) Authorisation no. MPCB/ROR-File-5BMW/93 dated July 31, 2003 granted by the Maharashtra Pollution Control Board authorising our Company to operate a facility for collection, reception, storage, transport, disposal of bio-medical waste at its premises in Maharashtra until June 30, 2005.

f) Letter dated December 26, 1984 issued by the Department of Environment, Government of India to the Department of Petroleum, Ministry of Energy sanctioning the location of the petrochemical complex at Nagothane.

3. **Gandhar Complex, Gujarat**

a) Consent order no. 28383 dated October 8, 2002 issued by the Gujarat Pollution Control Board for the Gandhar complex. This order has been renewed up to June 30, 2004 vide letter no. PC/BRCH-839/37697 dated December 21, 2002 issued by the Gujarat Pollution Control Board. (Water Pollution)

b) Consent order no. 26645 dated February 25, 2002 issued by the Gujarat Pollution Control Board for the Narmada colony of our Company (GPC Unit). This order has been renewed up to November 30, 2005 vide letter no. PC/BRCH-1232/4999 dated February 4, 2003 issued by the Gujarat Pollution Control Board. (Water Pollution)

c) Consent order no. 26646 dated February 25, 2002 issued by the Gujarat Pollution Control Board for the Suryu and Yamuna colony of our Company. This order has been renewed up to November 30, 2005 vide letter no. PC/BRCH-1231/5001 dated February 14, 2003 issued by the Gujarat Pollution Control Board. (Water Pollution)

d) Consent order no. 26660 dated February 25, 2002 issued by the Gujarat Pollution Control Board for the Kaveri and Godavari colony of our Company. This order has been renewed up to November 30, 2005 vide letter no. PC/BRCH-1234/4991 dated February 14, 2003 issued by the Gujarat Pollution Control Board. (Water Pollution)

e) Consent order number 20096 dated October 18, 2002 issued by the Gujarat Pollution Control Board for our Company. This order has been renewed up to August 31, 2004 vide letter no. PC/

AIR/BRCH-618 (2)/16542 dated June 6, 2003 issued by the Gujarat Pollution Control Board. (Air Pollution)

f) Authorisation no. 2559 dated January 22, 2002 granted by the Gujarat Pollution Control Board to authorise our Company to operate a facility for collection, storage, transport, disposal, incineration, selling of hazardous wastes at its factory premises in Baroda. The authorisation is in force up to January 21, 2007.

g) No Objection Certificate no. NOC/BRCH 553/15530 dated October 8, 1990 issued by the Gujarat Pollution Control Board for the setting up of an industrial plant at Bharuch to manufacture monthly quantities of ethylene up to 36365 mt, ethylene dichloride up to 21820 mt, vinyl chloride monomer up to 14635 mt, poly vinyl chloride up to 13640 mt, ethylene oxide/ethylene glycol up to 10910 mt, alpha olefins up to 9100 mt, detergent and plasticizer alcohols up to 9100 mt, alcohol ethoxylates up to 9100 mt, caustic soda up to 10,910 mt and chlorine up to 9550 mt, subject to specific conditions. The Gujarat Pollution Control Board, vide letter no. PC/NOC/BRCH 1365/4877 dated February 28, 1996 issued a no objection to the change in the height of the stack for the PVC drier exhaust to 20 metres from 30 metres from the ground level. Subsequently, vide letter no. PC/NOC/BRCH839/ 9303 dated March 31, 1997, the Gujarat Pollution Control Board amended the aforesaid NOC to state ethane / propane up to 4,60,000 mtpa, high density poly ethylene up to 1,60,000 mtpa, ethylene up to 3,00,000 mtpa, ethylene dichloride up to 2,60,000 mtpa, vinyl chloride monomer up to 1,70,000 mtpa, poly vinyl chloride up to 1,50,000 mtpa, ethylene oxide/ethylene glycol up to 1,20,000 mtpa, caustic soda up to 1,30,000 mtpa and chlorine up to 1,15,000 mtpa.

h) Notification no. GPCB/Haz/Gen-55/71-2708 dated April 5, 1999 issued by the Gujarat Pollution Control Board notifies the site bearing survey numbers 204P, 209P, 210P, 224P, 225, 226, 227P, 228P, 229P, 259P, 260P, 261P, 267P, 269P, 270P and 271P for the development of waste disposal facilities for hazardous wastes generated by our Company.

i) No objection certificate no. PC/NOC/BRCH-1622 (830) 2887 dated January 28, 1998 issued by the Gujarat Pollution Control Board for setting up of industrial plant within the existing Gandhar complex of our Company for manufacture of ACN up to 9000 mt. per month, hydrocynic acid up to 775 mt/ month and Ammonium Sulphate up to 1080 mt./month subject to specified conditions.

j) Environmental Clearance no. 11011/27/90- 1A.II dated December 1, 1995 granted by the Ministry of Environment and Forests to our Company stating that they have no objection to the use of naphtha instead of gas for the Gandhar Petrochemical complex.

k) Environmental Clearance no. 11012/11/90- 1A.II (I) dated March 14, 1991 granted by the Ministry of Environment and Forests to our Company for the Gandhar Petrochemical complex.

l) Environmental Clearance no. 11012/11/97- 1A II dated May 21, 1998 granted by the Ministry of Environment and Forests to our Company for change in product slate of Gandhar Petrochemical complex and addition of a new ACN plant.

m) Environment clearance no. Env-1099-1490-P1 dated February 16, 2000 from the Department of Environment, Government of Gujarat for expansion of the existing Naphtha based captive power plant from 95 MW to 142.5 MW at our Gandhar complex.

n) No objection certificate no. PC/NOC/BRCH-553/20558 dated December 2, 1994 issued by the Gujarat Pollution Control Board for the captive power plant using liquid fuel at the Gandhar complex up to 95 MW capacity.

o) No objection certificate no. PC/NOC/BRCH-1803 (839) (4) dated March 31, 1998 issued by the Gujarat Pollution Control Board for the expansion of the captive power plant from 95 MW to 142.5 mw/month capacity. This no objection certificate was subsequently corrected by the Gujarat Pollution Control Board to state the capacity of the captive power plant as 142.5 MW instead of 142.5 mw/ month vide letter dated April 30, 1998.

p) No objection letter no. 2/600/95/67/95-PAC/2361-90 dated November 22, 1995 from the Central Electricity Authority addresses to the Gujarat Electricity Board stating that it has no objection to the setting up of a thermal combined cycle co-generation captive power plant using liquid fuel at Gandhar.

q) Permission vide letter no. GMB/N/GMP/182 (8)/9330 dated February 24, 1994 granted by the Gujarat Maritime Board to set up and operate hydrocarbon jetty in Narmada for Gandhar Petrochemicals complex. In addition, the Gujarat Maritime Board vide its letter dated December 18, 2000 granted permission to our Company for exporting MEG and mandated our Company to pay wharfage charges @ Rs. 200 per metric ton.

r) Approval vide letter no. PN (G) IMP-MP dated December 19, 1994 granted by the Joint Chief Controller of Explosives approving the location of hydrocarbon jetty facility at Jageswar / Luvara Coast.

s) Environmental clearance no. J-16011/45/96-IA-III dated December 26, 1996 issued by the Ministry of Environment and Forests, Government of India for setting up of a captive jetty on Narmada by our Company.

t) Approval no. GMB/N/GMP/9606 dated March 21, 1997 issued by the Gujarat Maritime Board for approval of the outfall point for waste, effluent co-ordinates (latitude 21(/39' N and longitude 72(/ 31'E).

u) Letter number 19011/9/88-PC.III dated March 26, 1992 issued by the Ministry of Chemicals and Fertilisers, GoI approving the proposal to set up a petrochemicals complex in Gandhar with the following capacities: ethane / propane up to 4,60,000 mtpa , ethylene up to 3,00,000 mtpa, propylene up to 38,000 tpa, vinyl chloride monomer up to 1,70,000 mtpa, poly vinyl chloride up to 1,50,000 mtpa, ethylene oxide/ethylene glycol up to 1,20,000 mtpa, mono ethylene glycol up to 38,000 mtpa, caustic soda up to 1,30,000 mtpa and chlorine up to 1,15,000 mtpa.

4. Catalysts and Adsorbents Division, Maharashtra

a) Consent Order No. BO/RONM/Thane/394-02/CC-82 dated February 24, 2003 granted by the Maharashtra Pollution Control Board for the manufacture of Synthetic Zeolites (900 mtpa), Alumina Silica Based (300 mtpa), Alumina Products (1050 mtpa) and Dehydrogenation catalysts (50 mtpa). The consent is valid up to December 31, 2004 except that the authorisation granted under the Hazardous Waste (Manufacturing and Handling) Rules, 1989 and Amendment Rules, 2000 is valid up to February 23, 2008. (This consent constitutes a consent to operate under the water, air and hazardous wastes laws and regulations).

X. REGISTRATION OF CONTRACT LABOUR

1. Certificate of registration of contract labour for the Vadodara complex.
2. Certificate of registration of contract labour number ACL/Raigad/CLA/R-11/2002 dated May 4, 2002 granted by the Office of the Registering Officer, Raigadh, Government of Maharashtra for the Nagothane complex.
3. Certificate of registration of contract labour for the Gandhar complex.
4. Certificate of registration of contract labour dated July 26, 2002 granted by the Office of the Registering Officer, Thane, Government of Maharashtra for the Catalysts and Adsorbents Division, Maharashtra. (maximum number of contract labour to be employed on any day is 41).

XI. INCOME TAX APPROVALS

1. Permanent Account Number AAACI4415Q granted to our Company vide letter dated August 26, 1999 by the Income Tax Officer (Systems).
2. Approval No. BRD/SYS/115-1/94-95 dated February 6, 1995 from the Commissioner of Income Tax, Baroda with respect to our Company's Superannuation Fund. The said approval has been in effect from April 1, 1994.
3. Approval No. P.41-7/70 dated August 1, 1972 from the Commissioner of Income Tax, Baroda with respect to our Company Employee's Provident Fund. The said approval has been in effect from April 1, 1971.
4. Approval No. BRD/SIB/117-2-1/79 dated March 19, 1979 from the Commissioner of Income Tax, Baroda with respect to our Company's Gratuity Fund. The said approval has been in effect from April 1, 1978. This approval was subsequently amended vide letter dated February 27, 1987 by the Commissioner of

Income Tax, Baroda, which stated that our proposed amendments to Rule 1(XXI) (a) of Section I, 2(b) of Sec. II, 10 of Section IX, Contingency 1 in Appendix I, 3(a) and 3(c) of Appendix-I, Contingency 4 in appendix I, 5(b) in Appendix I and 6(b) in Appendix I have been approved.

We have made applications for renewal of the following approvals:

I. Industrial Licences

a) Letter of Intent no. 344 (1996) dated August 23, 1996 issued by the SIA for the manufacture of acrylonitrile up to 100000 metric tonnes, hydrocyanic acid up to 9000 metric tonnes, ammonium sulphate up to 12000 metric tonnes, at its existing undertaking in Dahej, Bharuch. This letter of intent was valid for a period of three years from the date of issue and subsequently renewed up to September 22, 2003 vide letters dated October 6, 2000 and September 25, 2002. An application for an extension of this letter of intent for a period of two years i.e up to September 23, 2005 has been filed with the SIA.

II. Licences to Store Compressed Gas in Pressure Vessel or Vessels in Vadodara Complex, Gujarat

a) Gaseous Storage Licence No. PV (WC) S-49/GJ: BRD: PV: S-8 dated April 25, 1984 issued by the Chief Controller of Explosives for the storage of Propylene up to 2295 metric tonnes in five pressure vessels. The licence was valid up to March 31, 2002 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

b) Gaseous Storage Licence No. PV (WC) S-29/GJ: BRD: PV: S-9 dated April 9, 1984 issued by the Chief Controller of Explosives for the storage of Ethylene (3200 metric tonnes) and Propylene (355 metric tonnes) in 5 and 1 pressure vessels. The licence was valid up to March 31, 2000 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

c) Gaseous Storage Licence No. PV (WC) S-83/GJ: BRD: PV: S-25 dated March 11, 1987 issued by the Chief Controller of Explosives for the storage of LPG (2100 metric tonnes)/*C4 Raffinate (600 metric tonnes) in 4 pressure vessels. The licence was valid up to March 31, 2001 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

d) Gaseous Storage Licence No. PV (WC) S-160/GJ: BRD: PV: S-28 dated March 11, 1987 issued by the Chief Controller of Explosives for the storage of Propylene (180 metric tonnes) in 3 pressure vessels. The licence was valid up to March 31, 2003 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

e) Gaseous Storage Licence No. PV (WC) S-38/GJ: BRD: PV: S-5 dated March 30, 1983 issued by the Chief Controller of Explosives for the storage of Hydrogen (120 M3) in 6 pressure vessels. The licence was valid up to March 31, 1999 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

f) Gaseous Storage Licence No. PV (WC) S-45/GJ: BRD: PV: S-17 dated November 14, 1985 granted by the Chief Controller of Explosives for the storage of VCM (1250 metric tonnes) and Light End Gases (96 metric tonnes) in six pressure vessels. The licence was valid up to March 31, 2003 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

g) Gaseous Storage Licence No. PV (WC) S-39/GJ: BRD: PV: S-27 dated May 7, 1987 granted by the Chief Controller of Explosives for the storage of Butadiene 1:3 up to 180 metric tonnes in 2 spheres, Butadiene 1:2 up to 17 metric tonnes in 1 bullet, Butane-1 up to 130 metric tonnes in 1 sphere and Recycle Mix up to 270 metric tonnes. The licence was valid up to March 31, 2001 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

h) Gaseous Storage Licence No. PV (WC) S-42/GJ: BRD: PV: S-32 dated December 4, 1987 granted by the Chief Controller of Explosives for the storage of Ammonia (225 M3) in 4 pressure vessels and other commodities. The licence was valid up to March 31, 2002 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

i) Gaseous Storage Licence No. PV (WC) S-397/GJ: BRD: PV: S-62 dated February 7, 1994 granted by the Chief Controller of Explosives for the storage of Ammonia (48.4 metric tonnes) in 1 Pressure vessel.

The licence was valid up to March 31, 2003 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

j) Gaseous Storage Licence No. PV (WC) S-472/GJ: BRD: PV: S-85 dated September 3, 1996 granted by the Chief Controller of Explosives for the storage of Ammonia (14.5 metric tonnes) in 1 pressure vessel. The licence was valid up to March 31, 2001 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

k) Gaseous Storage Licence No. PV (WC) S-473/GJ: BRD: PV: S-84 dated August 9, 1996 granted by the Chief Controller of Explosives for the storage of Butadiene (1x357 metric tonnes) in 1 pressure vessel. The licence was valid up to March 31, 2003 and an application dated February 18, 2003 for renewal is pending with the Joint Chief Controller of Explosives, Mumbai.

III. Licences to store Compressed Gas in Pressure Vessel or Vessels in Gandhar Complex, Gujarat

a) Gaseous Storage Licence No PV/(WC) S-382/GJ dated September 18, 1996 granted by the Chief Controller of Explosives for storage of 4839 metric tonnes of vinyl chloride and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

b) Gaseous Storage Licence No PV/(WC) S-421/GJ dated March 18, 1997 granted by the Chief Controller of Explosives for storage of 460 metric tonnes of chlorine and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

c) Gaseous Storage Licence No PV/(WC) S-533/GJ dated September 5, 1997 granted by the Chief Controller of Explosives for storage of 40M3 of oxygen gas and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

d) Gaseous Storage Licence No PV/(WC) S-615/GJ dated September 25, 1997 granted by the Chief Controller of Explosives for storage of 16.65 M3 of nitrogen gas and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

e) Gaseous Storage Licence No PV/(WC) S-626/GJ dated December 2, 1999 granted by the Chief Controller of Explosives for storage of 120 metric tonnes of ethylene oxide and was valid up to March 31, 2002. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

f) Gaseous Storage Licence No PV/(WC) S-628/GJ dated November 24, 1998 granted by the Chief Controller of Explosives for storage of 202.4 metric tonnes of butene and was valid up to March 31, 2002. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

g) Gaseous Storage Licence No PV/(WC) S-644/GJ dated May 8, 1997 granted by the Chief Controller of Explosives for storage of C2-C3 and propylene and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

h) Gaseous Storage Licence No PV/(WC) S-645/GJ dated May 9, 1997 granted by the Chief Controller of Explosives for storage of 300 metric tonnes of LPG and propylene and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

i) Gaseous Storage Licence No PV/(WC) S-698/GJ dated November 10, 1998 granted by the Chief Controller of Explosives for storage of 59.1 metric tonnes of liquid nitrogen and was valid up to March 31, 2003. An application dated February 16, 2003 for renewal of the licence until March, 2006 is pending before the Joint Chief Controller of Explosives.

IV. **Licences to Store Compressed Gas in Cylinder in Vadodara Complex, Gujarat**

a) Gaseous Storage Licence No. GJ /BRD/GC-S-15 dated November 16, 1983 granted by the Chief Controller of Explosives for the storage of Chlorine/Ammonia (280 tonnes), Oxygen/Nitrogen, Argon (705 tonnes), Hydrogen (200 tonnes), Acetylene (50 tonnes). The licence was valid up to March 31, 2003 and the application for renewal is pending with the Controller of Explosives, Mumbai.

V. **Licences to Import and Store Petroleum in Installation for Gandhar Complex**

a) Licence No. P-12 (25) 2614/GJ BRO340 dated September 17, 1996 granted by the Joint Chief Controller of Explosives for the import and storage of 54000 KL of Petroleum and is valid up to December 31, 2003. An application dated November 10, 2003 for renewal of this licence up to December 31, 2006 is pending with the Joint Chief Controller of Explosives.

b) Licence No P-12 (25) 2837/GJ BRO346 dated November 5, 1996 granted by the Joint Chief Controller of Explosives for the import and storage of 2554 KL of Petroleum and is valid up to December 31, 2003. An application dated November 10, 2003 for renewal of this licence up to December 31, 2006 is pending with the Joint Chief Controller of Explosives.

c) Licence No P-12 (25) 3192/GJ BRO342 dated September 17, 1996 granted by the Joint Chief Controller of Explosives for the import and storage of 15 KL of Petroleum and is valid up to December 31, 2002. An application dated November 10, 2003 for renewal of this licence up to December 31, 2006 is pending with the Joint Chief Controller of Explosives.

d) Licence No P-12 (25) 3705/GJ BRO- 446 dated September 2, 1999 granted by the Joint Chief Controller of Explosives for the import and storage of 21.5 KL of Petroleum and is valid up to December 31, 2003. An application dated November 10, 2003 for renewal of this licence up to December 31, 2006 is pending with the Joint Chief Controller of Explosives.

e) Licence No P-12 (25) 3718/GJ BRO- 451 dated October 5, 1999 granted by the Joint Chief Controller of Explosives for the import and storage of 1670 KL of Petroleum and is valid up to December 31, 2003. An application dated November 10, 2003 for renewal of this licence up to December 31, 2006 is pending with the Joint Chief Controller of Explosives.

VI. **Licences under the Factories Act, 1948**

a) Factory licence no. 53863 dated March 29, 1996 issued by the Chief Inspector of Factories, Maharashtra based on registration number Thane/3199/74-3T to employ over 250 persons on any day in the CATAD Division. We have filed an application dated October 22, 2001 for the renewal of the factory licence and also, reminder application dated December 11, 2003 to the Joint Director, Industrial Safety and Health for renewal.

b) Factory licence number 087054 issued by the Chief Inspector of Factories, Gujarat based on registration number 1569/ 22.3.69 to employ over 2450 persons on any day and use over 142.5 megawatts in the Gandhar complex. An application dated October 4, 2002 for renewal of the factory licence is pending before the Senior Inspectorate of Factories.

c) Factory licence number 51667 dated April 15, 1995 issued by the Chief Inspector of Factories, Maharashtra based on registration number 2 (1) 302-4 to employ over 2500 persons on any day and use over 1000 horse power in the Nagothane complex. An application dated October 24, 2003 for renewal of the factory licence up to 2006 is pending before the Joint Director, Directorate of Industrial Safety and Health.

VII. **Wireless Licences**

a) **Vadodara complex, Gujarat:** Letter nos. L- 14021/147/2002-LR-I and L- 14021/147/2002-LR-II dated April 10, 2002, nos L- 14021/421/2002-LR dated and L- 14021/233/2002-LR dated June 28, 2002. These are not licences but decisions to grant licences. We have filed a letter dated January 5, 2004 addressed to the Deputy Wireless Advisor, New Delhi requesting for renewal of the above.

b) **Nagothane complex, Maharashtra:** Wireless Station Licence no. P-3470/1-4 issued by the Ministry of Communications for the microwave radio link for pipeline communication expired on June 30, 2001. We have sought for renewal and paid licence fee up to June 30, 2004 vide letter dated November 17, 2003.

c) **Nagothane complex, Maharashtra:** Licence no. RP - 104 dated June 24, 1997 granted by the Department of Telecommunication for the radio communication for handling of operational traffic relating to on-site paging without talk-back expired on June 24, 2002. We have filed an application dated June 18, 2003 seeking for renewal of this licence and made payments up to June 24, 2004.

d) **Nagothane complex, Maharashtra:** Licences for the walkie-talkie for plant use (149.35 MHz) and walkie-talkie for security use (143.925 MHz) are not available in our records. However, we have filed letters dated June 18, 2003 and November 17, 2003 addressed to the Assistant Wireless Advisor requesting for duplicate copies for these licences and stating that the royalty fee has been paid up to December 11, 2004 and October 11, 2004, respectively.

e) **Gandhar complex, Gujarat:** We have filed a letter dated December 24, 2003 with the Assistant Wireless Advisor, New Delhi requesting intimation on depositing the licence fee and royalty fee for the following licences seeking renewal of the same:

(i) Wireless Station Licence no. L-1699/1-11+ 35 By-sets issued by the Ministry of Communications, Department of Telecommunications (WPC Wing) expired on May 31, 1998.

(ii) Wireless Station Licence no. L-1700/1-14+ 35 By-sets issued by the Ministry of Communications expired on May 31, 1998.

(iii) Wireless Station Licence no. L-1823/1-2 issued by the Ministry of Communications expired on June 30, 1999.

(iv) Wireless Station Licence no. L-1827/1-7 issued by the Ministry of Communications expired on September 30, 1999.

(v) Decision to grant a licence no. L-14021/40/94-LR dated August 9, 1994 issued by the Ministry of Communications.

VIII. Sales Tax

a) We have sent a letter dated October 22, 2003 to the Sales Tax Officer-I requesting him to include additional places of business at Kandla and C4 Raffinate Storage and Loading Depot (near petrofiles gate) in our sales tax registration certificate for Gujarat. We are awaiting response on the above from the Sales Tax Department.

IX. Environmental Approvals

a) Provisional authorisation no. 316 dated November 11, 2002 granted by the Gujarat Pollution Control Board authorising our Company to operate a facility for collection, reception, storage, transport, disposal of bio-medical waste at its premises in Baroda for a period of one year from the date of the authorisation as a trial period. An application dated August 18, 2003 for the renewal of the said authorisation is pending before the Gujarat Pollution Control Board.

X. Boiler Licence

a) Boiler Licence no. G-T 1740 dated December 31, 2002 granted by the Gujarat Boiler Inspection Department and is valid up to December 24, 2003. (Vadodara complex, Gujarat)

The following has expired:

Gaseous Storage Licence No PV/(WC) S- 933/MS dated March 27, 1998 granted by the Chief Controller of Explosives for import and storage of 5 metric tonnes ammonia and was valid up to March 31, 2003. (Catalysts and Adsorbents Divisions, Maharashtra)

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company or our Group Companies, and there are no defaults, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, and arrears on preference shares issued by our Company or our Group Companies (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (a) of part 1 of Schedule XIII of the Companies Act).

Litigation of our Company

Contingent liabilities not provided for as of December 31, 2003

As of December 31, 2003, our contingent liabilities included the following, none of which had been provided for in our accounts:

(a) Claims of Rs. 2,502 million in the aggregate by the customs and central excise authorities.

(b) Disputed income tax liability in respect of the following matters:

   (i) Claims of Rs. 894 million pending before the appellate authorities where we expect to succeed based on the same matters decided in our favor in the assessment years 1995-96 to 1997-98; and

   (ii) Claims of Rs. 32 million pending in appeal (other matters).

(c) Claims of Rs. 116 million in the aggregate with respect to sales tax liability.

(d) Claims of Rs. 1,598 million against us with respect to disputed liabilities not acknowledged as debts.

(e) Guarantees given to banks and financial institutions against credit facilities to third parties of Rs. 1,895 million.

1. Pending Litigation Against Our Company

1.1 *Writ Petitions filed against our Company*

There are 44 writ petitions involving the Company in various courts in India. The details of the material cases are given below:

(a) The Consumer Education and Research Society has filed a writ petition in the High Court of Gujarat against the Secretary, Department of Environment, Forests and Wildlife, Government of India, Secretary, Labour and Employment Department, Government of Gujarat and 23 others, including our Company. The society has stated in their petition that soon after the Bhopal gas tragedy, the Government of Gujarat constituted a task force ("Task Force") to oversee safety measures in various industries dealing with hazardous/toxic materials in Gujarat, which submitted a report to the Government of Gujarat. In order to implement the recommendations of the Task Force, a committee was set up on November 23, 1985 ("Empowered Committee"). The Empowered Committee, having studied the recommendations of the Task Force, had suggested actions to be taken by the various departments of the Government of Gujarat. The Task Force had identified the chemical industry in the State of Gujarat as needing increased scrutiny with respect to safety of human beings, livestock and eco-system. The petitioner has alleged that the Government of Gujarat and the industries (including our Company) have failed to take any action to implement the recommendations of the Task Force. The petitioner has sought directions from the High Court of Gujarat and sought the implementation of the recommendations of the Task Force. We have filed a reply to the said writ petition on July 3, 1994 and stated that we are aware of our obligations with respect to pollution and discharge of effluents. We have also confirmed to the High Court that we have implemented the recommendations of the Task Force and the Empowered Committee.

(b) Mr. Pradeep Sancheti has filed a writ petition before the High Court of Calcutta against the Union of India and all industries producing or selling polyvinyl chloride ("PVC"). The petitioner has alleged that the use of PVC is harmful and may cause great damage to the environment and also presents a risk to public health. Therefore, the petitioner has sought a complete ban on the production, use and disposal of PVC and PVC products. We have filed a reply that PVC is safe and its manufacture is allowed by the laws of countries all over the world including India. The matter has been adjourned sine die.

1.2 *Criminal Cases*

There are three criminal cases filed against us. The details of these three cases are as follows:

(a) Yanan Chem Met has filed a criminal complaint in the court of Chief Judicial Magistrate, Vadodara against our Company and certain officers of the Company including Mr. N. Chander who was Director Finance of the Company at the time the complaint was filed. A fire accident in the Nagothane complex of the Company had rendered some machines useless and they had been reduced to scrap. The insurer of the machines, New India Assurance Company Limited ("NIACL") wanted to recover some part of the damages by selling the scrap. The complainant had purchased scrap metal lying at the Nagothane complex of the Company at a sale price of Rs. 15 million on as-is-where-is basis. It has been alleged that the payment was not made by NIACL. The Company and NIACL agreed to settle the matter by payment of Rs. 6 million. The Company, NIACL and the complainant entered into a settlement agreement dated September 23, 1997 whereby the complainant agreed to withdraw all complaints against the officers of the Company. Despite the settlement, the complainant has again initiated criminal proceedings in Vadodara. The Company has filed an application seeking withdrawal of the complaint as per terms of the Settlement Agreement.

(b) M.N.Thakkar has filed a criminal case under sections 499,500, 193 and 120-B of the Indian Penal Code, 1860 against the Chairman and Managing Director, IPCL, Mr. S.B. Mankodi, Senior Manager and General Manager, IPCL, Vadodara. The complainant was working in the Company as a senior personnel officer. He has alleged that his immediate senior was prejudiced in his mind and the officers of the Company named in the complaint have harassed him. The complainant has further stated that he was not given the award given to other employees for 25 years in service with the Company. The petitioner has alleged that the defendants have caused loss of prestige for the complainant and therefore, they have committed a crime under section 499,500, 193 and 120-B of the Indian Penal Code, 1860. The defendants have filed their replies and requested the court to drop the case.

(c) On September 24, 2001, there was a minor blast in the pellet homogenisation silo, two contract labourers and one employee of IPCL suffered some injuries. The factory manager filed the notice of dangerous occurrences under the Maharashtra Factories Rules thereby intimating the concerned authorities of the occurrence of the accident. The authorities conducted an investigation and filed a report with the Chief Judicial Magistrate, Alibag ("CJM") dated November 22, 2001 for offences under Maharashtra Factories Rules, 1963 punishable under Section 92 of the Factories Act, 1948. On the basis of this report, a Summary CC 17861/2001 was registered with the CJM against the "Occupier" Mr. Ravi Kumar. The CJM passed an order dated February 6, 2002 and on the basis of Mr. Ravi Kumar pleading guilty, he was convicted under the Factories Act, 1948 and was sentenced to pay fine of Rs. 1000.

Subsequently a first information report dated May 30, 2002 was drawn up by Asst. Police Inspector, Nagothane Police Station, stating that during the investigation it was found that due to negligence of the officers of the Company, three workers were injured in the blast. The first information report stated that as the 'Occupier' was found guilty under the Factories Act, 1948 and therefore, a criminal case S.C. No. 513/2002 dated August 12, 2002 was filed before the Judicial Magistrate First Class, Pen at Pen pursuant to charge sheet dated July 30, 2002. On the date of the first hearing, September 12, 2002 bail was submitted and granted for the 'Occupier' and surety of Rs. 10,000 each for the other two accused.

The same has been adjourned and is posted for hearing on February 16, 2004.

1.3 *Arbitration*

There are seven arbitration related cases against the Company and the aggregate value of the claims outstanding in these cases is approximately Rs. 714.09 million. The details of the material among these are as detailed as follows:

(a) Madan Stores Private Limited has initiated arbitration proceedings against IPCL, before the Indian Council of Arbitration at New Delhi. Madan Stores Private Limited was the distributor of the Company for Varanasi. On June 6, 2000 the Company ordered for the transportation of certain products for the purpose of distribution to Madan Stores Private Limited. Madan Stores Private Limited was under an obligation to make payments to our Company within three days of supply of goods. The same was not received within the said period. The claim of the Company against Madan Stores was Rs. 28.9 million. The Company has recovered approximately Rs. 12.5 million by invoking bank guarantees issued in favour of the

Company. The Company has demanded the balance of Rs.16.4 million from Madan Stores Private Limited vide letter dated August 28, 2001. The High Court of Delhi has also directed that the settlement of disputes between the parties be through the process of arbitration as provided in the contract between the parties. Madan Stores Private Limited has filed a counter claim of approximately Rs. 64.9 million. The matter has been fixed for February 10, 2004 for submission of written arguments by the Company.

(b) Engineers India Limited ("EIL") has initiated arbitration proceedings against IPCL before the Arbitrator appointed by the Department of Public Enterprises. EIL was the engineering consultant to all the three units of the Company. The Company has received a notice dated September 30, 2002 from EIL whereby EIL has claimed an amount of Rs. 168 million against the Company. IPCL has also filed a counter claim for Rs. 840 million. The total liability of Rs. 168 million has already been provided for in the books of accounts of the Company. The next date of hearing is April 1, 2004.

(c) Larsen & Toubro Limited ("L&T") was awarded two contracts for design, engineering, supply, erection, commissioning, operation and maintenance of a co-generation plant to supply power and steam at the Gandhar complex of the Company. The Company has also executed a lease agreement with India Infrastructure Developers Limited ("IIDL"). The project was delayed and the Company demanded liquidated damages amounting to Rs. 240 million and Rs. 1560 million as losses and expenses, from L&T as per the terms of the equipment procurement contract. L&T contested the claim on the grounds that the delay was due to lack of readiness of the Company. L&T and IIDL have filed claims under the terms of the operation and maintenance contract and the lease agreement. The total amount claimed by L&T and IIDL amounts to approximately Rs. 470 million. The Company and L&T have appointed their respective arbitrators. The High Court of Gujarat has also appointed an arbitrator. The case is pending before the arbitration tribunal.

(d) National Builders had been granted a contract for construction of emergency township part II in Dahej. The work was to be completed within a period of 15 months and the value of the contract was approximately Rs. 24.6 million. The Company has paid the said amounts. National Builders have now claimed a sum of Rs. 5.68 million from the Company. The Company has refused to pay the same. Hence, National Builders has initiated this arbitration proceeding. The Company has filed a reply.

1.4 *Cases related to payment of statutory dues like pension, provident fund and gratuity to employees of the Company*

There are ten cases related to payment of gratuity and provident fund involving the Company and the aggregate value of the claims outstanding in these cases is Rs. 66.9 million. The details of the material cases in this regard are as follows:

(a) IPCL has filed an appeal in the High Court of Gujarat against the orders of the Regional Provident Fund Commissioner with regard to inclusion of certain subsidies in the definition of dearness allowance for making contributions under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("EPF Act"). In terms of the settlement with our workers union, IPCL pays a certain amount as canteen subsidy to its Workers. This subsidy is linked to the actual presence of the employee. If an employee remains absent from work for a specified period, the subsidy is not paid. The Regional Provident Fund Commissioner ("RPFC"), has vide letter dated June 21, 1996 stated that the canteen subsidy to the employees is to be included in the definition of dearness allowance and hence the Company needs to make contribution under the EPF Act. The Company contested the claim of the RPFC. However, the RPFC, vide order dated June 25, 1998 held that the Company is liable to pay provident fund contribution on the canteen subsidy since June 1996. There was no determination of the amount payable by the Company. The Company sought a review of the order of the RPFC. The same was rejected vide order dated June 1, 1999. The Company then appealed against the order before the Employees Provident Fund Appellate Tribunal, New Delhi. The Employees Provident Fund Appellate Tribunal rejected the appeal, vide order dated January 20, 2000. The Company appealed against the order of the Employees Provident Fund Appellate Tribunal, New Delhi dated January 20, 2000 vide appeal dated April 5, 2000 in the High Court of Gujarat. The High Court has passed an ex parte interim order dated May 3, 2000 staying the operation and implementation of the order of the RPFC and Employees Provident Fund Appellate Tribunal, New Delhi. The matter has been admitted for hearing in the High Court of Gujarat. The total contingent liability in this case has been computed by the Company to be approximately Rs. 63.5 million.

1.5 *Cases related to Employees and Contract Labour*

There are 331 cases related to claims of regularisation by contract labour, claims of reinstatement and challenging labour related policies of the Company. The details of the material cases are detailed below.

(a) The Government of India vide notification under section 10 of the Contract Labour (Regulation and Abolition) Act, 1970 dated December 8, 1976 prohibited the employment of contract labour on from March 1, 1977 for sweeping, cleaning, dusting and watching of buildings owned or occupied by establishments. In relation to this notification the Company is a party to a number of material cases in various courts, the details of the same are as follows:

(i) N.C. Parmar has filed a special civil application before the High Court of Gujarat against the Union of India, IPCL and others. The petitioner is a security guard in our Company. The Company entered into a contract with Bombay Intelligence Security (India) Limited ("BISL"). BISL has a licence (BRC/ALC/LIC/46(1651)/99) for doing work of round the clock security in the township and other areas of our Company. The petitioner has therefore, sought regularisation as an employee of the Company. The High Court of Gujarat has ordered that notional status quo be maintained until final disposal of the matter. The Government of India is to file a reply. No date of hearing has been fixed by the High Court.

(ii) The Shramik Sangha, acting on behalf of by 19 contract labourers, has filed a case against the Company in the Central Government Industrial Tribunal. These 19 contract labourers had been employed for the purposes of cleaning the toilets and general housekeeping work in the Nagothane unit of the Company for 13 years. The workers initially approached the Industrial Court at Thane, Maharashtra and later filed a writ petition before the High Court of Bombay requesting their absorption as the permanent employees of IPCL, and seeking payment of back wages commensurate to those payable to the permanent employees of IPCL from the date of their employment. The Bombay High Court upheld their claims based on the notification granted the relief sought for by the contract labourers. The Company then filed an appeal with the Supreme Court, which passed an order dated November 6, 2001, quashing the order of the High Court Bombay based on its decision in an earlier case. However, the Supreme Court stated that the workmen could avail of the jurisdiction of the designated labour tribunal under the Industrial Disputes Act, 1947 (the "IDA") to determine the question of whether they were regular employees of IPCL and that for six months pending the determination of such question, their employment should not be terminated by IPCL. Upon the lapse of six months and inaction by the authorities, the petitioners filed a writ petition in 2002 requesting the High Court of Bombay to issue an order of mandamus to the Central Government ordering it to refer the said matter to the concerned authority. The Court ordered the Central Government to refer the said dispute to the authority concerned which would have to settle the matter in a period of one year from its reference, and continued the operation of the ad-interim relief of status quo until August 30, 2002 and for a further period of four weeks. The Central Government passed a notification dated February 4, 2003 referring the said dispute to the Central Government Industrial Tribunal. The matter is still pending before the Central Government Industrial Tribunal.

(iii) The Konkan Shramik Sangh has filed a case on behalf of thirteen contract labourers employed for house-keeping at the Nagothane unit. They had initially approached the labour court by filing ULP Complaint No. 435/1991 asking for the absorption as the permanent employees of IPCL and payment of back wages commensurate to those payable to the permanent employees of IPCL from the date of their employment. During the pendency of the said matter, the contract labourers through the Konkan Shramik Sangh filed writ petition WP No. 5984/1997 in the Bombay High Court asking for the same relief as asked for in the labour court. The complaint filed in the labour court (ULP Complaint No. 435/1991) was quashed by the Industrial Court at Thane vide an order dated September 29, 1999 owing to the absence of the complainant. The Bombay High Court ordered IPCL that pending the hearing and final disposal of the petition before it, IPCL would not be entitled to remove/terminate the said employees except for misconduct. It also passed an order that until the petition before it was decided, IPCL would have to pay an amount of Rs. 1000 per month in addition to the salary being paid to such contract labourers. The matter is still pending before the Bombay High Court.

(b) The General Secretary, Shramji Pragati General Kamdar Union has filed a special civil application before the High Court of Gujarat against IPCL, Union of India and M/s Green Fingers. Eight (8)members of the Shramji Pragati General Kamdar Union were appointed as gardeners in the sports complex of the Company. The petitioners seek to get directions from the court restraining M/s Green Fingers from terminating their services without following the due process of law. The Court has granted interim relief to the petitioners vide order dated August 8, 2000 and held that if the contract between the Company and M/s Green Fingers continues, then the service of the members of the petitioner should not be terminated without following the due course of law.

(c) In the year 1982 the IPCL Employee's Association raised an industrial dispute on behalf of eight employees. The Company entered into a long-term settlement on December 2, 1980. As per the terms of the settlement the pay scale was revised. The petitioner has alleged that four of the employees had received additional increments and the petitioner is seeking the same increments for the eight employees they are representing. The Industrial Tribunal, Vadodara has directed the Company to give the same benefits to these eight employees also. The Company has challenged the award. The case has been admitted, as a Special Civil Application 9872 of 1999 before the High Court of Gujarat and date of hearing has not yet been determined by the court.

(d) Rashtriya Mazdoor Union has filed a reference before the Industrial Tribunal at Vadodara against IPCL and Gambhir Caterers. The Company entered a settlement dated July 8, 1995 whereby certain contract labourers were regularised and became employees of the Company. The petitioners have claimed that the settlement is applicable to eight contract labourers employed by Gambhir caterers in the Company's canteen. The Company has filed its reply before the tribunal. The matter is pending for hearing.

(e) IPCL has filed a special civil application in the High Court of Gujarat against the Deputy Labour Commissioner, Rashtriya Mazdoor Union and others challenging an order of the deputy Labour Commissioner. The Company had awarded a contract for handling activities in bagging and warehousing. 82 of the employees of the contractor raised a dispute alleging that they were performing activities which are of a permanent nature and that they should be regularised after completion of 240 days. The Deputy Labour Commissioner passed an order of reference dated April 27, 2000, which referred the matter to the Industrial Tribunal as to whether or not the 82 workers who were to be made permanent employees should be given all the benefits given to the permanent employees of the Company. The High Court has admitted the case and issued notices to the respondents.

(f) Pursuant to a strike/lockout in June 1983, 100 out of 330 labourers in the CATAD division were retrenched by Associated Cement Company ("ACC"). This retrenchment occurred before the takeover of the CATAD division by IPCL. A reference was filed with the Assistant Commissioner of Labour, but the application was turned down. Thereafter in 1989, one worker filed a case before the High Court of Bombay against IPCL seeking reinstatement with back wages. ACC was not made a party to the proceedings. The matter is pending in the court and evidence has to be taken.

(g) The IPCL Retired Employees Association has filed a suit against IPCL in the High Court of Gujarat. IPCL had introduced a Superannuation Fund Scheme for IPCL Employees ("Pension Scheme"), which was to have effect from April 1, 1994. An independent trust, having representatives of the Company and the employees was constituted for the purpose of administration of the Pension Scheme. Primarily the employees funded the Pension Scheme and the Company only makes payment amounting to Rs. 100 annually for all employees. The petitioner is an association of retired employees of IPCL and they have alleged that no payments of pension have been made to the retired employees after April 1997. They have alleged that the contribution for the purposes of payment has continued. However, no disbursements are being made to the retired employees of the Company. The Company has filed a reply stating that the Pension Scheme is managed by the trust and the Company is not liable in this respect. The employees have stopped contribution for the Pension Scheme. The Company is examining a modified pension scheme for implementation. The matter has been listed for final hearing.

1.6 *Monopolies and Restrictive Trade Practices Cases*

There are two cases related to monopolies and restrictive trade practices against the Company. The details of these two cases are as follows:

(a) The Director General of Investigation and Registration has filed a restrictive trade practice enquiry against IPCL before the Monopolies and Restrictive Trade Practices Commission, New Delhi. The Director

General of Investigation and Registration received a complaint from the All India Plastic Industries Association ("AIPA") vide letter dated December 18, 1997. The AIPA had alleged that the Company is indulging in discriminatory practices through the memorandum of understanding- linked discount policy of the Company in respect of raw materials ("MOU- Discount Policy"). Accordingly, proceedings were started before the Monopolies and Restrictive Trade Practices Commission, New Delhi. The AIPA has vide letter dated August 22, 2001 to the Director General of Investigation and Registration, stated that there is a material change in the conditions in the market and the complaint lodged in 1997 has lost its relevance. The enquiry should therefore be withdrawn. The matter has however not been withdrawn. However, the matter has been adjourned sine die.

(b) The Director General of Investigation and Registration has filed a case against IPCL before the Monopolies and Restrictive Trade Practices Commission, New Delhi. The Director General of Investigation and Registration has alleged that the Company has indulged in restrictive trade practices through the discount policy for di metheyle terephthalate acid (DMT) which was announced by the Company in 1995. The Company has filed a reply. The next date of hearing is February 24, 2004.

1.7 *Civil Cases*

There are 124 civil cases filed against the Company. These include 24 money suits in which the total claim against the Company amounts to approximately Rs. 485 million. The details of the sole material case involving the Company is as follows:

(a) M.N.Thakkar has filed a special civil suit against the Chairman and Managing Director, IPCL, Mr. S.B. Mankodi, Senior Manager and General Manager, IPCL, Vadodara in the Civil Court, Vadodara. The complainant was working in the Company as a senior personnel officer. He has alleged that his immediate senior was prejudiced in his mind and the officers of the Company named in the complaint have harassed him. The complainant has further stated that he was not given the award given to other employees for 25 years in service with the Company. The plaintiff has filed a defamation case and claimed compensation amounting to Rs. 10 million. The Company has filed a reply. The date of hearing has not been notified by the court.

1.8 *Land Acquisition and Eviction Cases*

There are 220 cases against the Company claiming adequate compensation for land acquisition either in the form of employment or money. These include cases for the adequate compensation on lands for which the Company has acquired right of use for laying pipelines by the Company and applications asking the Company not to make payments for the right of use to certain parties by persons who dispute the right of these parties to claim such compensation from the Company. The total amount claimed against the Company in this regard amounts to Rs. 482 million. The material cases are as follows:

(a) 200 hundred cases have been filed before Bharuch District Court by land owners of twelve different villages, claiming adequate compensation of land on which right of use is obtained for laying DGB Pipeline by the Company. The compensation claimed by the various parties varies between Rs. 8,250 and Rs. 11,23,000. The total amount claimed is approximately Rs. 96 million. The matter is listed for hearing.

(b) Air India has filed a case against IPCL for eviction of IPCL from its offices in Mumbai. The Company had been occupying the 9th and 19th floor of Air India Building, Nariman Point, Mumbai. The leave and licence agreement was executed in February 1979. This was renewed once in three years. The last renewal was in 1985. The Company has been paying a rent at the rate of Rs. 17 per square feet per month. Air India issued a show cause notice on February 14, 1995 terminating the deemed leave and licence agreement. A show cause notice was issued to the Company on November 3, 1995. Air India initiated an eviction case (Eviction case 10 of 1999) in which eviction orders were issued against the Company vide order dated December 6, 2000. The Company has filed an appeal in the city civil court of Mumbai against this order. Air India has demanded vide letter dated November 21, 2003 a sum of Rs. 382.9 million towards arrears of rent. The matter is pending before the City Civil Court, Mumbai.

1.9 *Motor Vehicles Accident Tribunal (MACT) cases*

There are 42 cases against the Company in the MACT. These include cases against the Company for accidents involving vehicles of the Company. In some of these cases some employees of the Company are also named as parties. However, none of these employees are directors of the Company.

1.10 *Consumer Cases*

There are two consumer cases pending against the Company. The details of the material case is as follows:

R.B.Bhagat has filed a consumer dispute against IPCL before the District Consumer Redressal Forum, Vadodara. The employees of the Company who are superannuated get the benefit of medical allowance amounting to Rs. 5,000 per annum. The employees who opted for the voluntary retirement scheme were not given this allowance. These employees have filed a case in the district consumer forum for payment of these benefits to them at the rate of Rs. 4,500 per annum. The matter is pending before the Consumer Redressal Forum.

1.11 *Cases relating to Registration and Road Tax Payment For The Crawler Cranes*

The road tax department of Vadodara ("RTO") had sought payment of road tax for the cranes of the Company. The Company decided to shift some of the cranes to the Gandhar complex. However, the RTO asserted that the road tax has to be paid before the shift of cranes from Vadodara.

The total financial implication on the Company is Rs. 6.30 million. The Company has filed a writ petition in the High Court of Gujarat (Special Civil Application No. 17965 of 2003) challenging the same. The High Court has directed vide order dated December 24, 2003 that the Company should pay quarterly current tax in respect of the equipment from the date when it has been brought into the State of Gujarat. The High Court has also directed that the equipment shall not be taken out of Gujarat without the permission of the High Court. The next date of hearing has been fixed for February 25, 2004.

1.12 *Cases relating to shares of our Company*

The Company had 395 cases filed against it, in various courts and consumer forums, by shareholders and applicant for shares. The Registrar and Share Transfer Agent to our Company have informed our Company that 177 of these cases have been closed or dismissed or disposed off. The Registrar and Share Transfer Agent to our Company has also informed us that they have obtained the final orders in respect of 98 cases. The closure/dismissal of the balance of the aforesaid 177 cases i.e. 79 cases has been confirmed to our Company by Registrar and Share Transfer Agent to our Company, however no final orders in respect of these have been obtained. Further the details in respect of 121 cases cannot be verified from the respective court/ forum.

1.13 *Sales Tax claims against the Company*

There are 26 claims related to sales tax against the Company. The total amount claimed against the Company in this regard amounts to Rs. 276.1 million. The details of the material cases are as follows:

(a) The Company has a system of stock transfer to the consignment agents in various locations throughout India. The products of the Company, especially polymers like linear density polyethylene, polypropylene, etc are stock transferred either directly from the manufacturing locations or through depots owned by the Company to the consignment agent. There is no sale at this stage by the Company to the consignment agent. The consignment agent sells the product to the end customer and takes payment from the customer. The consignment agent is responsible for collection of the prescribed sales tax forms ("Sales Tax Forms") for sales made by him and also for payments under the applicable sales tax laws of the location of sale. The sales tax assessment is done by the consignment agent and in the event of the sales tax authorities being satisfied that all payable sales tax has been duly paid by the consignment agent, there is no liability for payment of the same on the Company. In the event there is a failure to make payment of sales tax on account of non-production of Sales Tax Forms, delayed payment or alleged short payment, etc. by the consignment agent, then the Company, as a principal, may be required to make such payments. There is one case against the Company in this regard. The total amount demanded is Rs. 71.60 million. The details of this case is as follows:

The Company's consignment agent in Vadodara was J.K.Enterprises, Vadodara. The department of sales tax (Sales Tax Department) has issued a notice numbered Recovery1/C1/2003-2004/2544 dated July 1, 2003 in respect of Rs. 192.6 million including to the Company and sought payment of any amount payable by the Company to Ms J.K. Enterprises to the Sales tax Department. The Company has vide letter dated July 9, 2003 replied that there are no amounts which are payable to Ms. J.K. Enterprises. Therafter, the Sales Tax Department has issued notice numbered Recovery1/C1/2003-2004/7624/25 dated December 12, 2003 and has raised a demand of Rs. 71.6 million including interest until the date of assessment order and penalty. Ms J.K. Enterprises has not paid the same. Therefore, vide the above mentioned notices, the Company, as a principal, has been asked to pay the said amounts to the Sales Tax Department immediately. Further, the Sales Tax Department has vide letter dated January 1, 2004 instructed the sales tax officer, Vadodara with whom the Company files its sales tax returns and gets refunds, if any to adjust the amounts refundable to the Company in lieu of the sales tax dues payable by J.K. Enterprises. The Company has stated vide letter dated January 3, 2004 that the Sales tax Department cannot recover the said amount of Rs. 71.6 million without resorting to any proceedings under section 43 of the Gujarat Sales Tax Act, 1969. The total amount demanded is Rs. 71.6 million plus interest from the date of assessment order until the date of payment.

(b) There are 25 cases related to demands raised by the Sales Tax Department(s) of various states in the assessment of sales tax liability of the Company. The total amount claimed by the Sales Tax Departments is Rs. 204.6 million. The material cases amongst these are as follows:

(i) The Sales Tax Department of Uttar Pradesh, vide show cause notice no. 938 dated March 26, 2003 sought to reopen the assessment of sales tax of the Company for the year 1996-1997. The Sales Tax Department has alleged that the sales tax payments by consignment agents amounting Rs.78.4 million has not been made. Therefore, the Sales Tax Department has sought proof for payment of sales tax on stock transfer within the state of Uttar Pradesh to the consignment agents. The Company's major consignment agents in the state of Uttar Pradesh are Madan Stores and Uttar Pradesh Small Industries Corporation ("UP Consignment Agents"). The Sales Tax Department of Uttar Pradesh has alleged that the UP Consignment Agents have not made sales tax payments amounting to Rs. 72.7 million (by Madan Stores) and Rs. 36.5 million (by Uttar Pradesh Small Industries Corporation) for the period between financial year 1996-1997 to 2000-2001. In the course of assessment of the sales tax liability of the Company's depot in the state of Uttar Pradesh, the Sales Tax Department of Uttar Pradesh has, vide letter no. 938/Dy Comm/Gaziabad dated March 26, 2003 added the liability of the UP Consignment Agents in respect of sale of products which were stock transferred from the depot of the Company in Uttar Pradesh. However, the stock transfers, by the Company, from locations outside the state of Uttar Pradesh, to the UP Consignment Agents have not been added to the liability alleged in the assessment of the depots of the Company in Uttar Pradesh. The Company has applied for stay against the reopening of the assessment. The Allahabad High Court has granted stay on such reopening of assessment by the Sales Tax Department of Uttar Pradesh, vide order dated April 8, 2003. The total liability of the Company in this regard amounts to Rs. 109.2 million.

(ii) The Sales Tax Department of Uttar Pradesh had raised a demand of Rs. 59.1 million against the Company for the year 1999-2000. The Company appealed against the same and the Joint Commissioner (Appeals) Sales Tax, Ghaziabad, has passed an order dated November 25, 2003 whereby he has remanded the case back for re assessment. The sales tax liability has not been reassessed.

(iii) The Sales Tax Department of Uttar Pradesh had raised a demand of Rs. 20.6 million against the Company for the year 2000-2001. The Company has appealed against the same, vide appeal dated December 15, 2003 before the Joint Commissioner (Appeals) Sales Tax and sought remand of the case for reassessment by the Sales Tax Department of Uttar Pradesh. The matter is being heard by the Joint Commissioner (Appeals) Sales Tax.

(iv) The Sales Tax Department of Tamil Nadu had imposed sales tax liability on the Company amounting to Rs. 11.5 million for the years 1992-1993 to 1995-1996 vide orders dated July 30, 1998 on the grounds that the Company had sold its products to certain consignment agents in the state of Karnataka. The Sales Tax Department had alleged that as there was interstate sale, sales tax was payable by the Company. This finding was based on an interpretation of the agreement with the distributors of the Company. It was alleged that the agreement was an agreement for sale and not an agreement for agency. The Company had appealed against the order before the Appellate Assistant Commissioner (CT), Chennai vide petitions dated April 21, 1998 and August 31, 1998. The Appellate Assistant Commissioner (CT), Chennai has vide order dated November 30, 2000, remanded the case back to the Sales tax Department and stated that the agreement with the consignment was not an agreement for sale and the transaction should be treated accordingly and a reassessment of the sales tax payable by the Company should be done.

1.14 *Excise Claims against the Company*

There are 76 claims relating to excise against the Company. The total amount of claims against the Company is approximately Rs. 3,316.5 million. The material cases in this regard are as follows:

(a) The Company gets natural gas from GAIL (India) Limited and extracts ethane and propane from the same and releases the remainder gas back to GAIL (India) Limited ("Residual Gas"). The bill raised by GAIL (India) Limited is only for the amount of gas which is retained by the Company for extraction of ethane and propane from the natural gas and not for the Residual Gas. The Department of Central Excise ("Excise Department") has claimed that the Residual Gas is a product for which excise duty is payable under the Central Excise Tariff Act, 1985. The Company has received two show cause notices in this regard. The details of the same are as follows:

(i) Show cause notice no F.No. DGCEI/AZU/36-29/2002 dated February 4, 2003 from the Excise Department for the period between October 1999 to June 2002. The Excise Department has claimed an amount of Rs. 500.10 million as duty for the period October 1999 to June 2002. The Excise Department has also imposed penalty amounting to another Rs. 500.10 million and interest at the rate of 20% on the duty. The Company had appeared before the Commissioner of Central Excise, Vadodara who has passed orders dated November 14, 2003 confirming the show cause notice. The Company has decided to file an appeal against the order of the Commissioner of Central Excise before the Central Excise and Service Tax Appellate Tribunal ("CESTAT"). The time for filing of such appeal has not yet expired. The total claim against the Company amounts to approximately Rs. 1305 million.

(ii) Show cause notice no. F. No. V(Ch.27)4-10/MP/03 dated July 22, 2003 from the Excise Department for the period between July 2002 to March 2003. The Excise Department has claimed an amount of Rs. 713 million. The Company has, vide letter dated December 26, 2003 sought extension of time for filing of reply to the said show cause notice.

(b) The Company uses naptha for the manufacture of certain products. One of the by products of this process is Hepton. The Excise Department has vide show cause no. F.No. V (Ch.27) 15-8/OA/90 dated December 4, 1990 claimed that the benefit exemption from excise duty which was claimed by the Company for Hepton under the trade notice no MP/260/ 88 dated December 1988, is not applicable. The Company contested the same before the Collector of Central Excise and Customs, Vadodara who has confirmed the demand of duty of Rs. 12.7 million plus penalty of Rs. 2.5 million vide order dated March 22, 1991. The Company preferred an appeal before the Customs Excise and Gold (Control) Appellate Tribunal, New Delhi ("CEGAT"). The CEGAT vide order dated August 24, 1999 allowed the appeal of the Company and set aside the order of the Collector of Central Excise and Customs, Vadodara. The Excise Department has preferred an appeal in the Supreme Court of India vide petition dated October 16, 2000. The matter is pending before the Supreme Court.

(c) The Excise Department has issued a show cause notice no. DGCEI/AZU/36-23/2002 dated January 30, 2003 classifying the product of the Company, C4 Raffinate under sub heading 2711.12 of the Central Excise Tariff Act, 1985, which attracts duty at the rate of 16% advalorem whereas the Company had classified the same under subheading 2711.19 of the Central Excise Tariff Act, 1985 which attracts rate of duty at 8% ad-valorem. The Excise Department, has therefore, claimed the differential duty at the rate of 8% ad-valorem, which amounts to Rs. 86.8 million plus interest. The same has been confirmed by the order of the Commissioner of Excise and Customs, Vadodara vide order dated August 27, 2003. In addition, a penalty of Rs. 86.8 million has also been imposed. A personal penalty of Rs. 5 million has also been imposed on the Manager (Excise) of the Company. The total liability of the Company is therefore, Rs. 174.1 million plus interest.

The Company has preferred appeal in the CEGAT, Mumbai. The next date of hearing is April 23, 2004.

(d) The Company receives feedstock from Indian Oil Corporation. This is used as raw material for the manufacture of linear alkyle benzene. Therefore, the Company has availed the credit on the quantity of feedstock for which the bill was raised by Indian Oil Corporation. There is a dedicated pipeline for the supply of feedstock from Indian Oil Corporation. The Excise Department has claimed that during the period January 1998 to August 2001, the quantity received by the Company was 11047 Kilo Litres less than the quantity billed by Indian Oil Corporation. Therefore, the Excise Department has issued a show cause notice to the Company seeking explanation as to why it should not disallow the modified value added tax ("MODVAT") amounting to Rs. 13.9 million vide, show cause notice number F.No. V. Ch 27/ 15-34/R-V/D-I/02/Commr dated January 10, 2003. The Commissioner of Central Excise and Customs, Vadodara has confirmed the demand and imposed penalty of Rs. 15.3 million vide order dated August 29, 2003. A personal penalty of Rs. 0.1 million has also been imposed on the Senior Officer (Excise) of the Company. The total liability of the Company amounts to Rs. 29.3 million. The Company has preferred appeal in the CEGAT, Mumbai.

(e) The Company used to receive raw material from Indian Oil Corporation. This raw material was used for manufacture of ethylene, propylene and mixed C4. The rest of the raw material, ("Residual Raw Material") is returned to Indian Oil Corporation as return stream. The Excise Department has claimed that the Residual Raw Material should be classified under 2710.19 of the Central Excise Tariff Act, 1985 ("Department Classification"). The Company claims that the Residual Raw Material should be classified under 2710.14 of the Central Excise Tariff Act, 1985 ("Company Classification"). The difference between the applicable rate for the Residual Raw Material varies between 10% to 16% in the period between August 1997 to February 2000. The Excise Department has vide show cause notice no. DGCEI/WZU/ 205/30-117/02 dated September 4, 2002 claimed an amount of Rs. 424.3 million from the Company. The Commissioner of Central Excise and Customs, Vadodara has confirmed the demand vide order dated September 19, 2003 and imposed penalty of Rs. 424.3 million. The total liability of the Company amounts to Rs.848.6 million.

The Company has preferred appeal in the CEGAT, Mumbai. The next date of hearing is February 26, 2004.

(f) The Company uses certain raw materials for the manufacture of linear alkyle benzene. In this process, normal paraffin and heavy normal paraffin emerge. Normal paraffin is used captively for the manufacture of linear alkyle benzene and heavy normal paraffin is a bye product. The Company has claimed MODVAT on the raw materials used in this process. The Excise Department, vide show cause notice F.No. MP/ SCN/LAB/IPCL/91/2125 dated December 24, 1992, has disallowed the claim of MODVAT on the grounds that the normal paraffin and the heavy normal paraffin fall under Chapter 27 of the Central Excise Tariff Act, 1985 which is not covered for claiming MODVAT and demanded an amount of Rs. 16.9 million. The Deputy Commissioner of Central Excise and Customs, Vadodara has confirmed the demand vide order dated September 29, 2003. The total liability of the Company amounts to Rs.848.6 million.

The Company has preferred appeal before the Commissioner (Appeals) Central Excise and Customs, Vadodara. The next date of hearing is April 23, 2004.

(g) The Company during the period April 1997 to September 1997 claimed interest on delayed payments by their customers. The Excise Department has claimed that excise duty is chargeable on the amount of interest paid by the customers of the Company as the realisation of value of the product includes the interest paid even though the same is for delayed payment, vide show cause notice MP/AR-589/92/R1/ IPCL/94 dated October 3, 1997. The matter is pending for adjudication before the Deputy Commissioner Central Excise and Customs, Vadodara.

1.15 *Income Tax Claims*

There are disputes relating to income tax assessments of the financial years 1994-1995, 1995-1996, 1996-1997, 1998-1999, 1999-2000, 2000-2001. The total amount claimed against the Company in relation to income tax is Rs. 5,394.8 million. The Company has already provided for Rs. 4,468.10 million in its accounts. The material cases in this regard are as follows:

(a) The Company distributed safety performance gift coupons amounting to Rs. 3000 to Rs. 3500 to all employees in the financial years 1995-1996 and 1996- 1997. These gift coupons were given to all employees nothwithstanding their grade and their performance in the relevant financial years. Some of the employees opted for payment in cash. The Company has deducted tax at source for all such payments in cash. The Income Tax Department has raised claims for two financial years. The details of the same are as follows:

(i) For Financial Year 1995-1996:

The Income Tax Department raised claims, vide orders dated September 8, 1997, March 10, 1998 and December 29, 1999 for tax, interest and penalty of Rs. 12.6 million, Rs. 3.60 million and Rs. 12.6 million, respectively. The Company preferred an appeal before Commissioner of Income Tax (Appeals), Vadodara vide appeal memorandums dated October 13, 1997, May 5, 1998 and February 7, 2000 for tax, interest and penalty, respectively. The Commissioner of Income Tax (Appeals), Vadodara, vide his orders dated February 12, 1998, September 1, 1998 and May 20, 2002, respectively, confirmed the demand. The Company preferred an appeal before the Income Tax Appellate Tribunal, Ahmedabad ("ITAT") vide appeal memorandum dated April 15, 1998, December 19, 1998 and July 22, 2002. The matter is pending and the next date of hearing has not been determined.

(ii) For Financial year 1996-1997:

The Income Tax Department raised claims, vide orders dated May 13, 1998, May 13, 1998 and December 29, 1999 for tax, interest and penalty of Rs. 14.6 million, Rs.. 2.4 million and Rs. 1.46 crores, respectively. The Company preferred an appeal before Commissioner of Income Tax (Appeals), Vadodara vide appeal memorandums dated June 29, 1998, June 29, 1998 and February 7, 2000 for tax, interest and penalty respectively. The Commissioner of Income Tax (Appeals), Vadodara, vide his orders dated September 1, 1998, September 1, 1998 and May 20, 2002, respectively. The Company preferred an appeal before the ITAT vide appeal memorandum dated December 19, 1998, December 19, 1998 and July 22, 2002. The matter is pending and the next date of hearing has not been determined.

(b) The Company was incurring loss from financial year 1987-1988 to 1993-1994. It started making profits from financial year 1994-1995 until financial year 1996-1997. In the Financial years 1991-1992 to 1993-1994, the Income Tax Department considered the interest on borrowed capital, amounting to Rs. 1211.4 million, which was used for expansion projects in Nagothane, Gandhar and Vadodara, as capital expenditure (for which depreciation is available under the Income Tax Act, 1961) and rejected the Company's claim to treat the same as a revenue expenditure (in which case the taxable income of that financial year will be reduced by the amount of revenue expenditure under the Income Tax Act, 1961) vide orders dated March 27, 1995, March 29, 1996 and March 17, 1997. The Company filed appeals before the Commissioner of Income Tax (Appeals), Vadodara vide appeal memorandum dated April 28, 1995, April 30, 1996 and April 24, 1997. The Commissioner of Income Tax (Appeals), Vadodara confirmed the decision of the Income Tax Department vide order dated October 20, 1998. The Company has filed appeals before the ITAT vide appeal memorandum dated February 4, 1999. The matter is pending and the next date of hearing has not yet been determined;

(c) In the financial year 1993-1994, the Company sold some boilers to ICICI and ICICI Securities and Finance Company Limited for a consideration of Rs. 1021.5 million. The Company then took these boilers on lease from ICICI and ICICI Securities and Finance Company Limited and started payment of lease rent on a monthly basis. The Company claimed the lease rent as a business expenditure and therefore claims deductions under the Income Tax Act, 1961. The Income Tax Department, vide order dated March 17, 1997 claimed that the transaction was merely a sham transaction and considered the transaction as a loan transaction. The lease rent was considered by the Income Tax Department to be in two parts which are repayment of principal amount and interest. The interest portion was considered as a business expenditure, for which deductions are allowed under the Income Tax, Act, 1961, however the portion which was considered to form the repayment of the principal amount was not considered business expenditure and was disallowed as a deduction for assessment of taxable income. The Company filed appeal before the Commissioner of Income Tax (Appeals), Vadodara vide appeal memorandum dated April 24, 1997. The Commissioner of Income Tax (Appeals), Vadodara confirmed the decision of the Income Tax Department vide order dated October 20, 1998. The Company has filed appeals before the ITAT vide appeal memorandum dated February 4, 1999. The matter is pending and the next date of hearing has not yet been determined;

(d) Bharat Petroleum Corporation Limited ("BPCL") created a special facility in their plant in Uran for supply of C3 feedstock to the Company's Nagothane complex. BPCL claimed reimbursement of Rs. 146.6 million from the Company in lieu of expenditure incurred by them on up keeping of the facilities in Uran as the Company was not using the same initially. The Company disputed the claims of BPCL and thereafter both the parties referred the matter to Ministry of Chemicals and Fertilisers, Government of India. However, pending resolution of the dispute, the Company paid the said amount in instalments between the financial years 1991-1992 to 1995-1996 and claimed these amounts as business expenditure in the income tax assessments. The Income Tax Department did not allow the claim of business expenditure deduction on the grounds that the matter was pending resolution in the Ministry of Chemicals and Fertilisers and was therefore not crystallised and was still a contingent liability of the Company. The Commissioner of Income Tax (Appeals), Vadodara confirmed the decision of the Income Tax Department vide order dated October 20, 1998. The Company has filed appeals before the ITAT vide appeal memorandum dated February 4, 1999. The matter is pending and the next date of hearing has not yet been determined; and

(e) The Company borrowed money in foreign currency to finance its expansion projects in Nagothane. In order to hedge the risk caused by exchange rate fluctuations, the Company entered into forward contracts as permitted by the Reserve Bank of India. In the financial year 1992-1993, there was a wide fluctuation in the exchange rates due to devaluation of the rupee. Therefore, the Company terminated all its forward contracts and realised the gains. The Company claimed that these gains should get adjusted against the value of the capital assets as the basis of the forward contracts was related to borrowing for capital assets. The Income Tax Department considered these gains as revenue income and taxed the same. The Company filed appeal before the Commissioner of Income Tax (Appeals), Vadodara vide appeal memorandum dated April 30, 1996. The Commissioner of Income Tax (Appeals), Vadodara confirmed the decision of the Income Tax Department vide order dated October 20, 1998. The Company has filed appeals before the ITAT vide appeal memorandum dated February 4, 1999. The matter is pending and the next date of hearing has not yet been determined.

(f) For the financial year 1994-1995, the Company has made payments against the demand of the Income Tax Department under protest. These payments were delayed and the Income Tax Department charged interest amounting to Rs. 205.2 million on the same for the delayed period vide order dated July 20, 2001. This order is not appealable as it is consequential in nature.

1.16 *Customs Claims*

There are two customs cases against the Company.

(a) The Company imported a plant communication system ("PCS") in December 1996 and claimed concessions under the Project Imports Tariff Heading 98.01scheme ("Project Imports Scheme"). The Department of Customs and Central Excise ("Customs Department") has claimed that the PCS is not a production machinery and hence not eligible for benefits under the Project Imports Scheme. The Customs Department has therefore claimed an amount of Rs. 13.8 million as duty. The Company has challenged the same before the Deputy Commissioner, Customs at Mumbai. The same is pending for adjudication before Deputy Commissioner, Customs at Mumbai.

(b) The Company imports N-hexane, which is used as a raw material. The Customs Department has provisionally approved the classification of N-hexane as 2710.90 of the Central Excise Tariff Act, 1985 which was then reclassified under sub heading 2710.12 of the Central Excise Tariff Act, 1985. This reclassification resulted in the increase in the rate of customs duty as well as countervailing duty. The Customs Department has issued two show cause notices S/5-316/99-GR/451 dated March 21, 2001 and S/5-02/2001/GR-1/1916 dated May 3, 2001. The Customs Department has not quantified the amount payable by the Company. The Company has preferred an appeal against the order of the Customs Department before Commissioner (Appeal) Excise and Customs, Rajkot. No date of hearing has been fixed.

2. Pending litigation filed by our Company

2.1 *Writ Petitions relating to Payment of Taxes and Charges Payable for Lands of our Company.*

There are two cases involving our Company, wherein various authorities have sought payment of land revenue/

development charges for land used by our Company the aggregate value of the claims outstanding in these cases is Rs. 332.8 million. The details of the material cases among them are as follows:

(a) IPCL has filed a writ petition before the High Court of Gujarat against the State of Gujarat and Gujarat Industrial Development Corporation contesting the demands of the Government of Gujarat for arrears of land revenue in relation to our Vadodara complex. Our Company was allotted approximately 500 hectares of land in Vadodara in 1998. The Government of Gujarat had issued a notification under section 16 of the Gujarat Industrial Development Act, 1962 declaring the lands of our Company as forming part of a notified area. Subsequently, the PCC Notified Area Consolidated Tax Rule ("Consolidated Tax Rules") of the State of Gujarat came into force in October 1981. Under the Consolidated Tax Rules, a consolidated tax at the rate of 13.5 % on the rateable value of the properties, was payable for all lands, buildings, etc which are located in the notified area. The Company had developed the land and had thus applied for concession on the consolidated tax. The Government of Gujarat and the Gujarat Industrial Development Corporation ("GIDC") agreed to the request and agreed to the proposal for giving 50% concession on the consolidated tax liability for the year 1982 to our Company. This concession was subject to yearly review. The Company sought a renewal of this concession. The Government of Gujarat did not respond until August 13, 1993 on which date they withdrew the concession. The rateable value was increased from Rs. 18 per meter to Rs. 540 per meter in the span of 16 years. The Company have been objecting to this revision from time to time, however, all objections have been rejected. The Company has however, continued to pay the tax at the concessional rate of 50%. The Government of Gujarat vide a letter dated August 13, 1993 demanded the payment of the outstanding dues retrospectively with effect from 1986, without applying the concession rate. The Company had made applications to contest the demand and such applications have been rejected by the Government of Gujarat vide letters dated May 12, 1995 and December 12, 1994. We filed a writ petition, No. 7708 of 1998 in the High Court of Gujarat dated August 1998 challenging the demand of the Government of Gujarat. The High Court has vide its order dated April 25, 2003 ordered that our Company pay Rs. 70 million to the Government of Gujarat in four instalments. The total demand of the Government of Gujarat was approximately Rs. 218 million. The Company has already paid approximately Rs. 125 million. The contingent liability is approximately Rs. 93 million. The last date was hearing is January 27, 2004. The next date of hearing has not been intimated.

(b) IPCL has filed a writ petition before the High Court of Gujarat against the State of Gujarat and Gujarat Industrial Development Corporation, Special Civil Petition No. 2683 of 2002 in the High Court of Gujarat. In 1989, the Government of India had decided to set up a new petrochemical complex in Gandhar in the State of Gujarat. At that point of time Gandhar was an undeveloped area without any industrial estate of GIDC. As the Company was a Government Company at that point of time, the State of Gujarat and GIDC were actively cooperating with the Company. The Company wanted to have the lands acquired for the petrochemical complex on a freehold basis. The entire expense of the acquisition of the land and its development was to be borne by the Company. GIDC was not to provide any amenities, infrastructure or develop the land in any manner whatsoever. Thereafter, the Company deposited Rs. 20 million with the GIDC and filed the application for initiating the acquisition proceedings. GIDC stated that the land can be given only on leasehold basis and that the land can be given on free hold basis only with the permission of the Government of Gujarat. The Company has claimed that GIDC, at that time had indicated that this was a mere technicality and that the necessary permission from the Government of Gujarat would be sought. The Company wanted to start the process of setting up the plant and hence, applied for grant of acquired land on a freehold basis. The State Government has not yet replied to this application. The land was acquired in 1992 and possession was given to GIDC, which subsequently handed over possession to IPCL. The Company had paid Rs. 99 million towards the cost of land, compensation for standing crops and superstructure to GIDC. The possession of the land was given to the Company on September 28, 1992. The parties had agreed that a lease deed would be executed within 15 days from the receipt of the draft and the same was subject to the final decision of the Government of Gujarat regarding the transfer of land on freehold basis. The Company had agreed to pay service charge, however, no mention of any development charges was made. The Company has incurred substantial costs in the development of the land and setting up of the unit in Gandhar. The Government of Gujarat determined the service charge payable to GIDC by the Company as 15% of the cost of the land. The Company has paid the same to GIDC. GIDC vide letter dated January 25, 1996 demanded Rs. 207.8 million as development charges at the rate of Rs. 30 per square meter which is 2.17 times the cost of the land. The Company has opposed the claim and after exchange of correspondence it was decided that the matter should be referred to the Government of Gujarat. The Government of Gujarat has not decided on this matter and hence, the Company has filed this petition against this claim by the GIDC. The total contingent liability is approximately Rs. 207.8 million. The matter has been admitted and a date of hearing is to be fixed by the High Court of Gujarat.

2.2 *Cases Related to Payment of Statutory Dues like Pension, Provident Fund and Gratuity to Employees of the Company*

(a) IPCL has filed an appeal before the High Court of Gujarat against the Regional Provisional Fund Commissioner, Special Civil Appeal No. 1694 of 2003. Our Company had introduced the Pension Scheme, which was to have effect from April 1, 1994. An independent trust, having representatives of the Company and the employees was constituted for the purpose of administration of the Pension Scheme. Primarily the employees funded the Pension Scheme and the Company only makes payment amounting to Rs. 100 annually for all employees. In 1995, the Government of India announced Employees Pension Scheme under the EPF Act ("EPS 95"). The Company, at that time was required to adopt the EPS 95. The Company applied for exemption from the applicability of the same on the grounds that they had a Pension Scheme, which was not less favorable than the EPS 95. This application was made on December 12, 1995. The same was rejected vide order dated March 31, 1997 and after a prolonged legal battle, we decided, on December 4, 1999 to follow the EPS 95. Our Company had however, paid the statutory dues for the month of November 1995. The IPCL Officers Association had filed a special leave petition in the High Court of Gujarat (No.10809 of 1995). In this special leave petition, the High Court of Gujarat by order dated January 1, 1996 directed our Company not to pay any remittances under EPS 95. Thus, in order to comply with these orders of the Gujarat High Court, our Company did not remit any contribution between December 1995 and December 1999 under the EPS 95. The RPFC, vide order dated April 16, 1994 directed the State Bank of India, Koyli Branch, where the Company has its account, to transfer a sum of Rs. 168,151,112 as contribution towards EPS 95 for the period between December 1995 and December 1999. The Company thus, joined the EPS 95 by remitting the above-mentioned sum on December 4, 1999. The RPFC, then started proceedings against the Company under section 14-B of EPF Act for late payment of contribution to the EPS 95. The RPFC has also demanded the payment of interest and damages. The total contingent liability in this case amounts to Rs. 55.3 million approximately. The Company has filed the present case in the High Court of Gujarat against this demand of the RPFC. The High Court has granted injunction against the proceedings under section 14-B of the Act vide order dated February 21, 2003 and the matter has been admitted for hearing.

(b) The Company has terminated the services of 163 employees on charges of habitual and chronic absenteeism and misconduct under the certified standing order of the Company. The Company has terminated these employees after conducting an enquiry. The Company is required to get the approval under section 33(2b) of the Industrial Disputes Act, 1947 and Rule 63 of Industrial Dispute (Gujarat) Rules, 1966. Therefore, the Company has applied for the same in all these cases to the Industrial Disputes Tribunal, Vadodara.

2.3 *Criminal Cases*

There are 15 criminal cases, which have been filed by the Company including some under section 138 of the Negotiable Instruments Act, 1881, some for theft and some for trespass into the property of the Company.

2.4 *Civil Cases*

The Company has filed 26 cases against various parties for recovery of monies and other contractual disputes. The details of the material cases is as follows:

(a) IPCL has filed a special civil suit in the Civil Court at Vadodara against Sheetal Bulk Carrier. The seal of tanker carrying products of the Company was found broken and shortage of 2000 litres was found. The seal had been broken during transportation and therefore the Company has filed a case against Sheetal Bulk Carrier. The claim by the Company amounts to Rs. 18.43 million. The case is pending before the court and the date of hearing has not been finalised.

(b) IPCL has filed a special civil suit in the Civil Court at Vadodara against JBF Industries Limited. The defendant was a customer who was buying products from the Company. The dues payable by them to the Company had amounted to Rs. 55.38 million. The defendants also filed a counterclaim in SCS No. 779 of 1998 amounting to Rs. 103.32 million. The two parties have come to a settlement and the defendants have deposited post dated cheques with the Company. The Company has not withdrawn the case as it will do so as and when the entire amount is realised. The payment is expected by February 2004.

(c) IPCL has filed a special civil suit in the Civil Court at Vadodara against GSL (India) Limited The Company gave the defendants material for job conversion work. The Company has alleged that the defendants misappropriated this material. The Company has therefore filed a suit for recovery of Rs. 197.50 million which is the cost of the material. The matter has been admitted, however, the date of hearing has not yet been finalised. The Company has also filed a case before the Board for Industrial and Financial Reconstruction (BIFR), (Suit No. 254 of 2000) for the amount of Rs. 382.5 million which is the total claim against GSL (India) Limited in this case and Special Civil Suit No. 788 of 2000.

(d) IPCL has filed a special civil suit in the Civil Court at Vadodara against GSL (India) Limited and 4 others, Special Civil Suit No. 788 of 2000. The defendants were given credit facilities for purchase of material from the Company. They failed to remit the payment regularly and hence, their dues allegedly amounted to Rs. 185.02 million. The Company therefore, filed a suit against the four defendants for the recovery of the amount. The matter has been admitted, however, the date of hearing has not yet been finalised. The Company has also filed a case before the Board for Industrial and Financial Reconstruction (BIFR), (Suit No. 254 of 2000) for the amount of Rs. 382.5 million which is the total claim against GSL (India) Limited in this case and Special Civil Suit No. 782 of 2000.

(e) IPCL has filed a special civil suit in the Civil Court at Vadodara against Petrofils Cooperative Ltd, Special Civil Suit No. 708 of 2001. M/s. Petrofils were supplied DMT, MEG which are products of the Company but they failed to remit payment towards the same. The Company has filed this suit for recovery of Rs. 365.83 million including Rs. 43.5 million towards water charges. The matter has been admitted, however, the date of hearing has not yet been finalised. The Official Liquidator has been appointed and the Company has filed its claim before the Official Liquidator.

(f) IPCL has filed a special civil suit in the Civil Court at Vadodara against JK Enterprises, Special Civil Suit No.706 of 2003. The defendant was an ex-distributor of the Company who was supplied material from time to time against stock transfer receipts. The defendants failed to remit the amount of material sold / distributed. Therefore, the Company has filed this suit for recovery of Rs. 212.41 million. The defendants have been served with summons in the matter.

(g) IPCL has filed a special suit in the Civil Court at Vadodara against World Trade Impex, Special Suit No 43 of 2004. The defendant was the Company's major polymer and PVC customer since 1994 - 1995. The defendant stopped making payment for material supplied by the Company since January 30, 2001. The Company encashed the bank guarantee of Rs. 200,000 given by the defendant in favor of the Company. The suit is for the recovery of the balance amount of Rs. 20,141,082 owed to the Company.

2.5 *Cases filed by the Company in the Board for Industrial And Financial Reconstruction (BIFR) for Recovery of Money*

The Company has filed ten cases for recovery of money against other entities, which have been declared sick under the Sick Industrial Companies Act, 1985. The material claims of the Company are detailed below:

(a) IPCL has initiated proceedings before the BIFR for recovery of sums from Bengal Immunity Limited. Bengal Immunity Limited is a Government of India undertaking. The Company had given an unsecured loan of Rs. 22 million in 1990-91, which has now accrued interest and has amounted to Rs. 62.1 million. In 1992 Bengal Immunity Limited was declared sick under BIFR. The Company has filed a claim of Rs. 62.1 million with the BIFR. The matter has been admitted but the date of hearing has not yet been finalised.

(b) IPCL has initiated proceedings before the BIFR for recovery of sums from GSL (India) Limited The Company gave the defendants material for job conversion work. The Company has alleged that the defendants misappropriated this material. The Company has therefore filed a suit for recovery of Rs. 197.50 million which is the cost of the material. The defendants were also given credit facilities for purchase of material from the Company. They failed to remit the payment regularly and hence, their dues allegedly amounted to Rs. 185.02 million. The Company has filed a claim for the amount of Rs. 382.5 million which is the total claim against GSL (India) Limited in Special Civil Suit No. 788 of 2000 and Special Civil Suit No. 782 of 2000 which have been filed by the Company. The matter has been admitted. The date of hearing has not yet been finalised.

(c) IPCL has initiated proceedings before the BIFR for recovery of sums from Bengal Chemicals and Pharmaceuticals Limited ("BCPL"), a Government of India undertaking. At the behest of Government of India, the Company gave BCPL an unsecured loan of Rs. 15 million in 1990-91. In 1993 BCPL was declared sick under BIFR. The Company claimed before BIFR and agreed to round up its total claim at Rs. 23 million. The order of the BIFR is awaited.

(d) IPCL has initiated proceedings before the BIFR for recovery of sums from Indian Drugs and Pharmaceuticals Limited (IDPL), a Government of India undertaking. At the behest of Government of India, the Company gave IDPL an unsecured loan of Rs. 15 million from 1987 to 1991. In 1992 IDPL was declared sick under BIFR. The Company has claimed the amount in BIFR. The next date of hearing is yet to be finalised.

(e) IPCL has initiated proceedings before the BIFR for recovery of sums from Smith Stanistreet Pharmaceuticals Limited, suit no 529 of 1992. Smith Stanistreet Pharmaceuticals Ltd (SSPL) is a Government of India undertaking. At the behest of Government of India, the Company gave SSPL an unsecured loan of Rs. 19 million in 1990. SSPL was declared sick under BIFR. The Company has claimed the amount in BIFR. The next date of hearing is yet to be finalised.

(f) IPCL has initiated proceedings before the BIFR for recovery of sums from Haryana Petrochemicals Limited, WP No.66 of 1997. The Company had supplied goods to Haryana Petrochemicals Limited ("HPCL"). HPCL has not made payments amounting to Rs. 67.9 million. The Company has filed a winding up petition to recover Rs. 67.9 million. The winding up petition has been adjourned sine-die due to HPCL being declared sick by the BIFR.

2.6 *Sales Tax Cases*

(a) IPCL v. State of Gujarat, Special Civil Application No. 805 of 2000.

The sales tax department of the Government of Gujarat vide order dated January 11, 2000 stated that an amount of Rs. 11,75,04,153 was payable by the Company under the Gujarat Sales Tax Act, 1969 as purchase tax for the assessment period 1991-1992. The Company had already made payments amounting approximately to Rs. 95 million.

The outstanding demand was therefore a sum of Rs. 22.52 million. The Company appealed against this order of the sales tax department in the High Court of Gujarat through a petition dated February 11,2000. The High Court directed the Company to pay approximately Rs. 11.5 million and granted stay in the matter subject to payment of the said sum of Rs. 11.5 million. After the grant of the above-mentioned stay by the High Court, the sales tax department carried out a regular assessment and the sales tax department in their regular assessment has adjusted the said amount of Rs. 11.5 million. This regular assessment was also challenged by the Company before the Deputy Commissioner, Sales Tax who has passed an appeal order in favour of the Company vide order dated June 25, 2002. The Company has received a refund order for payment of the said Rs. 11.5 million through payment order No. 40600191 dated August 3, 2002. The matter has thus been settled. However, the Company has not yet withdrawn the case from the High Court of Gujarat. The Company is in the process of withdrawing the petition.

Against Our Directors

There are no litigations pending against our Directors

Material Developments

In the opinion of the Board of our Company, there have not arisen, since the date of the last financial statements disclosed in this Preliminary Sale Document, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months.

Against Our Group Companies

Reliance Petroinvestments Limited

Contingent Liabilities not provided for

There are no contingent liabilities not provided as of March 31, 2003.

Outstanding Litigation

There is no litigation pending against Reliance Petroinvestments Limited.

Reliance Rubbers and Chemicals Private Limited

Contingent Liabilities not provided for as of March 31, 2003

There are no contingent liabilities not provided as of March 31, 2003.

Outstanding Litigation

There is no litigation pending against Reliance Rubbers and Chemicals Private Limited.

Reliance Ventures Limited

Contingent Liabilities not provided for as of March 31, 2003

There are no contingent liabilities not provided as of March 31, 2003.

Outstanding Litigation

There is no litigation pending against Reliance Ventures Limited.

Reliance Capital Limited

Contingent Liabilities not provided for as of March 31, 2003

Guarantees to Banks and Financial Institutions against credit facilities to third parties: Rs. 4919.30 million

Estimated amount of contracts remaining to be executed on capital account and not provided for: Rs. 7.5 million

Uncalled liability on partly paid up shares/debentures: Rs. 2506.9 million

Outstanding Litigation

Securities Related

RCL has 46 cases filed against it by individuals in various civil courts/forums inter alia claiming ownership of shares of RCL, transfer of shares of RCL, seeking restraint on transfer of shares of RCL, refund on excess call money, non-payment of dividend. The total value involved is about Rs. 0.16 million, in relation to 16,520 shares.

One criminal case has been filed against RCL before the Sub-Divisional Judicial Magistrate, Saharsa, Bihar seeking production of share certificates, in relation to 100 shares.

There are two cases pending before the High Court of Judicature at Bombay, in relation to the securities of RCL aggregating Rs. 44.65 million plus 24% interest per annum, and Rs. 13.58 million plus 24% per annum on Rs. 2.86 million.

Reliance Industries Limited

Contingent Liabilities not provided as of March 31, 2003

(i) Outstanding guarantees furnished to Banks and Financial Institutions including in respect of letter of credit

a)	In respect of joint ventures	NIL
b)	In respect of others	Rs. 2,076.2 million

(ii) Guarantees to Banks and Financial Institutions against credit facilities extended to third parties

a)	In respect of joint ventures	NIL
b)	In respect of others	Rs. 4,552.6 million

(iii) Liability in respect of bills discounted with Banks

a)	In respect of joint ventures	NIL
b)	In respect of others (including third party bills discounted)	Rs. 5,020.3 million

(iv) Claims against the company / disputed liabilities not acknowledged as debts

a) In respect of joint ventures — Rs. 1,331.0 million

b) In respect of others — Rs. 2,610.3 million

(v) Performance Guarantees

a) In respect of joint ventures — Rs. 1,662.1 million

b) In respect of others — Rs. 49,365.6 million

(vi) Sales tax deferral liability assigned — Rs.37,007.1 million

(vii) The Income-Tax assessments of the company have been completed up to Assessment Year 2000-2001. The disputed demand outstanding up to the said Assessment year is Rs. 3,064.4 million.

Outstanding Litigation

RIL is currently a party to certain proceedings brought by various government authorities and private parties. A summary of proceedings, which may have a material impact on RIL, is as follows:

Civil Suit

1. Bharat Petroleum Corporation Limited (BPCL) has disputed the prices that RIL paid for quantities of naphtha supplied to RIL between November 11, 1992 and April 30, 1996 and between May 1, 1996 and January 31, 1999. In separate actions, BPCL seeks payment of, respectively, Rs. 400 million in claims and additional amounts of Rs. 190 million in processing charges and Rs. 200 million in claims and additional amounts of Rs. 41 million. The matter was referred to arbitration. In September 2000, the arbitrator affirmed BPCL's claims in full. In January 2001 and in July 2002 the High Court upheld the arbitrator's award in two subsequent appeal proceedings filed by RIL. RIL has filed an appeal in the Supreme Court against the High Court decisions upholding the arbitration award.

Environment Related Cases

1. In August 1988, a Bombay environmental group brought a public interest litigation against the Government of India, the State of Maharashtra and a number of industrial units operating in the Patalganga area. On October 3, 1996, the plaintiffs in this suit added the operators of several industrial units, including RIL, as parties to the litigation. The environmental group have applied for an order directing the State of Maharashtra to shut down any industrial units whose effluent treatment facilities and discharge levels do not meet the standards prescribed by the State of Maharashtra. Proceedings are currently pending before the Bombay High Court.

2. In February 1995, a public interest litigation was filed in the Gujarat High Court against the State of Gujarat, GPCB, and a number of industrial units (including RIL's textile unit) operating at the Naroda industrial area in Gujarat, among other sites. This litigation concerns the order, issued on August 7, 1995 by the Gujarat High Court, directing the state of Gujarat to direct the closure of certain industrial units until they conform to the water and air pollution norms prescribed by GPCB. Industrial units that fall into the category described in the judgment, which includes RIL's textile unit, have been directed to suspend their operations unless they adhere to certain water treatment standards and/or are able to meet the norms prescribed by GPCB and obtain the approval of the GPCB. The Gujarat High Court has further ordered certain of these industrial units to make a lump sum payment of one per cent. of their one year's gross turnover for the year 1993 to 1994 or 1994 to 1995, whichever is higher, for the socio-economic betterment of the affected villages. The Gujarat High Court, acting upon a special leave petition, held that RIL is not a polluting unit. The State of Gujarat has challenged this order before the Supreme Court in an appeal that is currently pending final hearing. In the interim, RIL has paid an ex-gratia social contribution of Rs. 45 million to the Government of Gujarat for constructing a pipeline for the discharge of the water pollutants. This appeal, as well as appeals made by RIL regarding the GPCB's actions, are pending before the Supreme Court of India.

Criminal Cases

1. On July 29, 1995 a criminal complaint was made against RIL, its directors and two of its employees by the Gujarat Pollution Control Board (GPCB) alleging breaches of water effluent standards and failure to meet the norms prescribed by the GPCB in RIL's textile unit at Naroda, based on an effluent sample collected by GPCB in May 1995. On August 14, 1998 the Chief Metropolitan Magistrate at Ahmedabad, State of Gujarat,

dismissed the charges against RIL and its directors. The GPCB has challenged this order before the Gujarat High Court.

2. A criminal complaint filed by excise authorities at Ahmedabad against RIL and certain officers and employees of RIL in 1984 is pending in the court at Ahmedabad for alleged acceptance of credit of Rs. 11.7 million of excise duty for which RIL was not entitled.

3. Pursuant to three reports filed by the Central Bureau of Investigation ("CBI"), the court of Chief Metropolitan Magistrate, Mumbai issued summons to RIL and Mr. V.T.Pai, former General Manager of RIL, in relation to allegations of wrongfully pre-dating certain letters of credit in May 1985.

4. The CBI has filed a criminal complaint in the Court of the Chief Metropolitan Magistrate, Tis Hazari, New Delhi, under the Official Secrets Act, 1930 and Indian Penal Code 1860 against RIL and certain officials of RIL for allegedly entering into a conspiracy and receiving certain documents alleged to be classified and/or secret. Although the complaint was filed by the CBI after the period of limitation prescribed under the Code of Criminal Procedure, 1973, the CBI has filed an application to condone such delay.

FEMA Case

The Enforcement Directorate (ED) issued four show cause notices between July 2001 and May 2002 to RIL, its then General Manager Mr. V.T. Pai and several banks alleging the violation of provisions of the Foreign Exchange Regulation Act, 1973, in respect of alleged wrongfully pre-dating certain letters of credit in May 1985. RIL and Mr. V. T. Pai have replied to these show cause notices and personal hearings in respect thereof have been concluded by the ED, Mumbai. All the show cause notices are pending adjudication.

Securities Related

1. In the matter of acquisition of shares of a listed company by RIL, SEBI has passed an order imposing a monetary penalty of Rs. 475 million, which has been paid by RIL . RIL has also preferred an appeal to the Securities Appellate Tribunal against the said order and the said appeal is pending.

Customs Related Cases

1. In May 1990, the Indian customs authority filed a claim with the Indian Commissioner of Customs against RIL for payment of an aggregate Rs. 1700 million of customs duties, on the grounds that RIL allegedly imported machinery capable of manufacturing PTA in quantities greater than those permitted by RIL's import licence. In an order issued on March 6, 1997, the Commissioner of Customs ruled against the charges of under declaration of capacity at RIL's PTA plant but directed RIL to pay a differential duty of Rs. 0.4 billion. RIL has filed an appeal with the Indian Appellate Tribunal against this order of the Commissioner of Customs. The proceedings are currently pending at the Appellate Tribunal. The Indian customs authority also filed an appeal in March 1997 seeking payment of the entire duty amount.

2. In March 1998, the Indian customs authorities filed a claim with the Indian Commissioner of Customs seeking to compel RIL to pay an aggregate of Rs. 841.5 million in customs duties in connection with the alleged underassessment of customs duties relating to the importation of certain equipment. In an order dated January 13, 2000 the Commissioner of Customs directed RIL to pay an aggregate Rs. 33.6 million in customs duties as well as a penalty of Rs. 1 million. Both RIL and the customs authorities have filed an appeal in connection with the January 2000 order. In July 2000, the Indian Appellate Authority waived the penalty portion of the order, in response to an application by RIL. The appeals brought by both RIL and the customs authorities against the January 2000 order are pending final hearing at the Appellate Tribunal.

Arbitration Proceedings

1. RIL is currently engaged in arbitration proceedings pursuant to which RIL has disputed alleged claims of an aggregate amount of Rs. 1348.1 million, being the sum of Rs. 783.7 million as principal amount and Rs. 564.4 million as interest on the principal amount, made by Larsen and Toubro Limited in respect of certain construction work said to have been done by Larsen and Toubro Limited at RIL's Jamnagar complex. The matter was referred to arbitration in August 2003.

TAX BENEFITS

We hereby certify the attached current position of tax benefits available to the Company and to its shareholders as per the provisions of the Income-tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958 for inclusion in the Offer Document for the proposed issue of shares.

The current position of tax benefits available to the Company and to its shareholders is provided for general information purposes only. Each shareholder is advised to consult its own tax consultant with respect to the specific tax implications arising out of its participation in the issue, particularly in view of the fact that there could be different interpretations of a legislation.

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961. All the provisions set out below are subject to conditions specified in the respective sections.

The contents of this annexure is based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. While all reasonable care has been taken in the preparation of this opinion, Deloitte Haskins & Sells accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

TAX BENEFITS

(Subject to notes below)

A. To the Members of the Company - Under the Income-tax Act, 1961

A.1 Resident Members

(i) In terms of section 10(34) of the Income-tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

(ii) In terms of section 10(36) of the Income-tax Act 1961, any long term capital gain arising to a shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before the 1st day of March 2004 and held for a period of more than 12 months would not be liable to tax in the hands of the shareholder:

For this purpose, “eligible equity share” means-

a) any equity share in a company being a constituent of BSE - 500 Index of the Stock Exchange, Mumbai as on the 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

b) any equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognised stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India.

We are informed that the equity shares under the offer document constitute eligible shares.

(iii) In accordance with section 10(23D) of the Income-tax Act 1961, any income of:

a) Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made thereunder;

b) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf

will be exempt from income-tax.

(iv) Under section 48 of the Income Tax Act, 1961 if the Company’s shares, being long-term capital assets (i.e. being held for more than twelve months), are sold, the long-term capital gains (in cases not covered under section 10(36) of the Act) if any shall be calculated after indexing the cost of acquisition.

(v) Under section 54EC of the Income-tax Act 1961, and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) of the Act) arising on transfer of the shares of the Company shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

In such a case, the cost of such long-term specified asset will not qualify for tax rebate under section 88.

If the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the specified asset is transferred or converted into money.

(vi) Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of the shares of the Company, after the shares are listed, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. “Eligible issue of capital” means an issue of equity shares which satisfies the following conditions, namely -

(a) the issue is made by a public company formed and registered in India;

(b) the shares forming part of the issue are offered for subscription to the public.

In such a case, the cost of such equity shares will not qualify for tax rebate under section 88.

If such equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the equity shares are transferred.

(vii) Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

(a) if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

- purchases another residential house within a period of one year after the date of transfer of the shares; or

- constructs another residential house within a period of three years after the date of transfer of the shares;

and

(b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the residential house bears to the net consideration shall be exempt.

If the residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

(viii) Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax shall however, not exceed 10% (plus applicable surcharge) without indexation, if the transfer is made after listing of the shares of the Company.

A.2 Non Resident Members [Other than FIIs]

(ix) A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents" which are as follows:-

a) Under section 115E of the Income Tax Act, 1961, where shares in the company are acquired or subscribed for in convertible foreign exchange by a non-resident Indian, capital gains arising to the non-resident Indian on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(36) of the Act) be concessionally taxed at the rate of 10% (plus applicable Surcharge) (without indexation benefit).

b) Under provisions of section 115F of the Income-tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

c) Under provisions of section 115G of the Income-tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Acts consists of only investment income or long term capital gains or both arising out of specified assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

(x) In terms of section 10(34) of the Income-tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

In terms of section 10(36) of the Income-tax Act 1961, any long term capital gain arising to a shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before the 1st day of March 2004 and held for a period of more than 12 months would not be liable to tax in the hands of the shareholder:

For this purpose, "eligible equity share" means-

a) an equity share in a company being a constituent of BSE - 500 Index of the Stock Exchange, Mumbai as on the 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

b) an equity share in a company allotted through a public issue on or after the 1st day of March 2003 and listed in a recognized stock exchange in India before the 1st day of March 2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India.

We are informed that the equity shares under the offer document constitute eligible shares

(xi) Under the first proviso to section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange, cost indexation will not be applicable. The capital gains/ loss in such a case will be computed by converting the cost of acquisition, consideration for transfer and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/ arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.

(xii) Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of the shares of the Company, after the shares are listed, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. "Eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely -

a) the issue is made by a public company formed and registered in India;

b) the shares forming part of the issue are offered for subscription to the public.

In such a case, the cost of such equity shares will not qualify for tax rebate under section 88

If such equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the equity shares are sold or transferred.

(xiii) Under section 54F of the Income Tax Act, 1961 long term capital gains (in cases not covered under section 10(36) of the Act) arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family (HUF) shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a residential house, or for construction of a residential house within three years. Such benefit will not be available:

(a) if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and

(b) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

(xiv) Under section 112 of the Income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(36) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge). The tax shall however, not exceed 10% (plus applicable surcharge) of the gains if the transfer is made after listing of the shares of the Company.

A.3 Foreign Institutional Investors (FIIs)

(xv) In terms of section 10(34) of the Income Tax Act, 1961, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the Company) is exempt from tax.

(xvi) In terms of section 10(36) of the Income-tax Act 1961, any long term capital gain arising to the shareholder from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of more than 12 months would not be liable to tax in the hands of the shareholder:

For this purpose, "eligible equity share" means-

a) an equity share in a company being a constituent of BSE - 500 Index of the Stock Exchange, Mumbai as on 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or

b) an equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognized stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India

We are informed that the equity shares under the offer document constitute eligible shares.

(xvii) In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge) on long-term capital gains, and at 30% (plus applicable surcharge) on short-term capital gains arising on the sale of the shares of the Company.

(xviii) Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of the shares of the Company, after the shares are listed, will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. "Eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely -

a) the issue is made by a public company formed and registered in India;

b) the shares forming part of the issue are offered for subscription to the public.

In such a case, the cost of such equity shares will not qualify for tax rebate under section 88.

If such equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the equity shares are sold or transferred.

B. Benefits to Members of the Company under the Wealth Tax Act, 1957

(xix) Shares of the company will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957, hence the shares will not be liable to wealth-tax.

C. Benefits to Members of the company under the Gift Tax Act, 1958

(xx) Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift tax.

Notes:

1. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreements, if any.
2. In view of the individual nature of tax consequences, each shareholder is advised to consult its own tax advisor with respect to specific tax consequences of its participation in the scheme.
3. The tax benefits listed above are not exhaustive.

Tax Benefits to the Company - Under the Income Tax Act, 1961
(subject to notes below)

a) In accordance with and subject to the conditions specified in section 10(23G) of the Income-tax Act 1961, interest income from investments made by the Company by way of long-term finance as defined in that section and long-term capital gains from investments made by the Company by way of shares or long-term finance as defined in that section in any enterprise or undertaking engaged in the infrastructure business (including telecommunication services) as defined in that section will be exempt from tax.

b) In accordance with and subject to the conditions specified in Section 80HHC of the Income tax Act, 1961, the Company will be entitled to deduction of :

- 30% for Financial Year 2003-04; and
- NIL for the Financial Year 2004-05 and onwards of the profits derived from the export of goods, if any, for the relevant financial year.

c) In accordance with and subject to the provisions of section 35, the Company will be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business other than expenditure on land.

d) By virtue of section 10(34) of the Income-Tax Act, dividend income referred to in section 115-O of the IT Act, will be exempt from tax in the hands of the Company.

e) By virtue of section 10(35) of the IT Act, the following income shall be exempt in the hands of the company -

- Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
- Income received in respect of units from the Administrator of the specified undertaking; or
- Income received in respect of units from the specified company;

Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:

- "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
- "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

f) In terms of section 10(36) of the Income-tax Act 1961, any long term capital gain arising to the Company from the transfer of a long term capital asset being an eligible equity share in a company purchased on or after the 1st day of March 2003 and before 1st day of March 2004 and held for a period of more than 12 months would not be liable to tax in the hands of the Company:

For this purpose, "eligible equity share" means-

- an equity share in a company being a constituent of BSE - 500 Index of the Stock Exchange, Mumbai as on 1st day of March 2003 and the transaction of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
- an equity share in a company allotted through a public issue on or after 1st day of March 2003 and listed in a recognized stock exchange in India before 1st day of March 2004 and the transaction of sale of such share is entered into on a recognised stock exchange in India.

g) Under section 54EC of the Income-tax Act 1961, and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) of the Act) arising on transfer of a long-term capital asset shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset.

If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

(h) Under section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) on the transfer of listed securities or units will be exempt from capital gains tax if the capital gains are invested in equity shares forming part of an eligible issue of capital, within a period of 6 months after the date of such transfer. "Eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely-

- the issue is made by a public company formed and registered in India;
- the shares forming part of the issue are offered for subscription to the public.

If such equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the equity shares are transferred.

Notes:

1. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreements, if any.
2. In view of the individual nature of tax consequences, each shareholder is advised to consult its own tax advisor with respect to specific tax consequences of its participation in the scheme.
3. The tax benefits listed above are not exhaustive.

Yours faithfully,
DELOITTE HASKINS & SELLS

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including our profitability and need for capital. The dividends paid by our Company during the last five fiscal years have been presented below.

	FY2003	FY2002	FY2001	FY2000	FY1999
Face value of equity shares (per share)	10	10	10	10	10
Dividend (in Rs. million)	559	496	745	496	248
Dividend rate	22.5%	20%	30%	20%	10%
Dividend tax (in Rs. million)	71	-	76	109	27

However, the amounts paid as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

OTHER PARTICULARS ABOUT US

Details of Secured Borrowings

Our secured borrowings as of March 31, 2003 are as follows:

S. No.	Nature of Borrowings / Debt	Sanctioned Amount	Amount Outstanding	Date of Issue	Date of Maturity	Interest Rate	Security
1	14.50% 'K' Series Debentures (1)	Rs. 850 Million	Rs. 850 Million	May 31, 1999	May 31, 2005	14.50%	Secured by charges against certain specific land, buildings, plant and machinery
2	13.35% 'L' Series Debentures(1)	Rs. 1000 Million	Rs. 1000 Million	August 31, 1999	August 31, 2005	13.35%	Secured by charges against certain specific land, buildings, plant and machinery
3	10.20% 'N' Series Debentures(1)	Rs. 2030 Million	Rs. 2030 Million	July 25, 2001	July 27, 2004	10.20%	Secured by charges against certain specific land, buildings, plant and machinery
4	9.90% 'S' Series Debentures(2)	Rs. 1250 Million	Rs. 1250 Million	June 25, 2002	June 25, 2007 (Bullet Redemption)	9.90%	Secured by charges against certain specific land, buildings, plant and machinery
5	9.60% 'T' Series Debentures(2)	Rs. 1250 Millions	Rs.1250 Millions	July 12, 2002	July 12, 2007 (Bullet Redemption)	9.60%	Secured by charges against certain specific land, buildings, plant and machinery
6	Loan Agreement with Citibank NA for US $ 75 Million (1) (3)	US $75 Million	US $ 43.33 Million	September 18, 1997	August 30, 2004	0.61 basis points above the 6 Month USD LIBOR	Secured by a charge against certain specific land, buildings, plant and machinery
7	Loan Agreement for DM 38 Million from Barclays Bank PLC (1) (4)	DM 38 Million	Euro 10.67 Million	May 20, 1997	Oct 30, 2008	0.45 basis points above the 6 Month Euro LIBOR	Secured by a charge against certain specific land, buildings, plant and machinery
8	Loan Agreement for US $ 20.22 Million from SBI, Bahrain (5)	US $ 20.22 Million	US $ 20.22 Million	October 15, 2002	Oct 6, 2004	0.78 basis points above the 6 Month USD LIBOR	The Indenture of Mortgage dated January 2, 2004 provided for the mortgage of specified movable and immovable properties
9	'K' Series Syndicated Term Loan for Rs. 2350 Million (1) (6)	Rs. 2350 Million	Rs. 2350 Million	As this is a syndicated loan the dates of issue vary for lenders	September 14, 2005	Prime Lending Rate of the Lending Bank	The loan is secured by a charge against certain specific land, buildings, plant and machinery
10	'P' Series Loan for Rs. 2150 Million(1) (7)	Rs. 2150 Million	Rs. 2150 Million	As this is a syndicated loan the dates of issue vary for lenders	Three years from the date of draw down under the loan agreement.	10.50% quarterly	The loan is secured by a charge against certain specific land, buildings, plant and machinery
11	'Q' Series Loan for Rs. 500 Million(1) (7)	Rs. 500 Million	Rs. 500 Million	As this is a syndicated loan the dates of issue vary for lenders	Three years from the date of drawdown under the loan agreement.	10.50%	quarterly The loan is secured by a charge against certain specific land, buildings, plant and machinery
12	'R' Series Loan for Rs. 500 Million(1) (7)	Rs. 500 Million	Rs. 500 Million	As this is a syndicated loan the dates of issue vary for lenders	May 2, 2005	10.40% quarterly	The loan is secured by a charge against certain specific land, buildings, plant and machinery

13	Working Capital Facility for Rs.9000 Million from a consortium of 9 banks [8]	Rs. 1244 Million	-	-	-	Prime Lending Rate of the Lending Bank	Secured by a first charge by hypothecation and pledge on certain movable properties
14	US Exim Loan [1]	USD 46.62 Million	USD 10	Oct7, 1994	Oct 15, 2006	5.95% p.a.	The loan is secured by a charge against certain specific land, buildings, plant and machinery

(1) The loan is secured under a Mortgage-cum-Trust Deed (the "Deed") whereby certain specific properties are held in trust for the debenture-holders/lenders by IL& FS Trust Company (the "Trustee"). Without the prior written consent of the Trustee, our Company is restricted from declaring or paying any dividends unless installments and all other dues payable under the loan have been paid or provisions to the satisfaction of the Trustee have been made for the same. Also, on the occurrence of an event of default under the Deed, the Trustee has the right to appoint a Nominee Director on the Board of Directors of our Company. Our Company is also restricted from disposing/selling or creating a further charge on any of the assets mortgaged with the Trustee. As an exception to this, our Company may dispose/sell such assets if it maintains a specified asset coverage ratio of 1.25 over all charges to the secured assets.

(2) The loan is secured by a Bond Trust Deed (the "Deed") whereby certain specific properties are held in trust for the debenture-holders by UTI Bank (the "Trustee"). Upon the event of default consequent to which the Trustee assumes control over the property of our Company and before the Trustee sells such property, the Trustee has a right to employ/remove officers/managers and other employees. Without the prior written consent of the Trustee, our Company is restricted from declaring or paying any dividends unless all installments and all other dues payable under the loan have been paid or provisions to the satisfaction of the Trustee have been made for the same. Our Company is also restricted from disposing/selling or creating a further charge on any of the assets mortgaged with the Trustee. Also, on the occurrence of an event of default under the Deed, the Trustee has the right to appoint a Bond Director on the Board of Directors of our Company.

(3) The loan agreement with Citibank stipulates that upon the event of the Government's shareholding in our Company reducing below 51%, our Company is required to provide a guarantee in respect of its obligations. Our Company has not provided any bank guarantee to Citibank nor has it obtained their approval in waiving this requirement.

(4) The loan agreement with Barclays stipulates that upon the event of the Government's shareholding in our Company reducing below 51%, Barclays is entitled to accelerate the repayment of the loan and also to suspend all further advances. Barclays has not taken any such action pursuant to the reduction of the Government of India's shareholding below 51% in our Company.

(5) The loan agreement with SBI provides that our Company is restricted from disposing/selling all or any substantial part of its assets during the pendency of any outstanding amount under the agreement except in the ordinary course of business. Also, our Company may not create or permit to subsist any charge on the assets mortgaged under this agreement except for loans incurred for a period of 30 days or transfer such property for the purpose of financing the acquisition of an asset.

(6) The loan agreement with the lending banks provides that our Company is restricted from disposing/selling all or any substantial part of its assets during the pendency of any outstanding amount under the agreement except in the ordinary course of business. Also, our Company may not create or permit to subsist any charge over all or any of its revenues or assets other than those encumbrances that exist as of April 9, 1999.

(7) The agreement with the bank(s) provides that in the event that the Government of India's shareholding reduces below 26%, our Company would be required to notify each individual bank whereupon the respective bank may in its sole discretion recall the loan by notifying our Company 90 days in advance. Our Company would also be refrained from creating further charges over its assets/revenues other than certain specified existing encumbrances or to make any loan or credit or guarantee or to transfer or dispose of its assets/ revenues wholly or in part except in the ordinary course of business.

(8) Our Company has utilised only Rs. 1,244 Million as against the maximum available amount of Rs. 9,000 million. The Working Capital Consortium agreement provides that without the prior written consent of SBI (the lead bank), our Company is restricted from declaring or paying any dividends if it fails to pay amounts due

under the loan so long that it is in default. Our Company is further restrained from effecting any change in its capital structure. As soon as the Board of our Company has resolved any call on shares or it has been resolved to issue any new shares, the banks are to be notified of the same prior to such resolution's execution. Any monies received by our Company from any of the above are to be applied to the repayment of the loan. In the event of occurrence of an event of default, the banks have a right to take over the business, sell the assets and if appropriate, wind up our Company.

Stock Market Data for our Equity Shares

Year	Highest closing price	No. of shares traded on the date when the highest closing price was recorded	Lowest closing price	No. of shares traded on the date when the lowest closing price was recorded	Average closing price	Total no. of shares traded in the year
2001	82.5	3,179,965	32	84,011	53.74	161,121,805
2002	156.4	127,613	53.75	94,989	98.16	185,001,050
2003	228.5	1,052,026	78.3	57,387	129.99	99,934,271

Source: Trends, BSE Data

Previous Six Months

Month	Highest closing price	No. of shares traded on the date when the highest closing price was recorded	Lowest closing price	No. of shares traded on the date when the lowest closing price was recorded	Average closing price	Total no. of shares traded in the respective month
August 03	151.65	628,319	117.20	814,988	132.27	11,514,733
Sept. 03	173.40	322,984	153.65	149,128	164.77	11,428,340
Oct. 03	195.85	427,599	168.40	225,124	180.58	10,684,661
Nov. 03	214.25	548,742	194.40	506,696	202.97	10,651,539
Dec. 03	228.50	1,052,026	210.45	372,639	217.77	9,578,680
Jan. 04	236.20	497,121	169.65	438,169	208.64	11,455,473

Source: The Stock Exchange, Mumbai

The equity shares of our Company are listed on the National Stock Exchange of India Limited, The Stock Exchange, Mumbai, the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited. Our Company has applied for delisting from the Vadodara Stock Exchange and the Calcutta Stock Exchange Association Limited.

Particulars Regarding Public Issues During the Last Five Years

We have not made any public issues during the last five years.

Companies Under the Same Management

There are no companies under the same management within the meaning of section 370(1B) of the Companies Act other than Reliance Rubbers and Chemicals Limited, which is a 100% subsidiary of RPiL. For further details see "Our Promoter" on page 150 of this Preliminary Sale Document.

Mechanism for Redressal of Investor Grievances

The Registrar to the Offer will provide for retention of records for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Selling Shareholder has authorised the Deputy Company Secretary and Compliance Officer of the Company to redress all complaints, if any, of the investors participating in this Offer. Ms. Shashikala Rao, Deputy Company Secretary, as the Compliance Officer may be contacted in case of any pre offer or post offer related problems at Fosbery Road, Off Reay Road Station (East), Sewree, Mumbai - 400 033; Tel: +91 22 3041 1880; Fax: +91 22 3041 1069; email: InvestorRelations.Corpo@ipcl.co.in.

STATUTORY AND OTHER INFORMATION

Changes in Auditors during the last three years

There have been no changes of the auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of resignation	Reasons for change
Kantilal Patel & Co.	September 27, 2001	September 26, 2002	Term of appointment expired
Deloitte Haskins & Sells	September 27, 2002		Appointment by shareholders in place of retiring auditors

Commission and Brokerage on Previous Issues

Except as stated elsewhere in this Preliminary Sale Document, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our equity shares since our inception.

Previous Rights and Public Issues

1. Public issue of equity shares. The details are as follows:

Type of issue	Public issue of equity shares
Issue amount`	Rs. 320 crore
Date of opening	November 16, 1992
Date of closing	November 19, 1992
Date of completion of dispatch of delivery of security certificates	March 1, 1993
Issue price of the security	Equity shares of Rs. 10 each at a premium of Rs. 150 per shares
Object of the issue	To raise a part of the finances required for meeting the project cost of Rs. 3,485 crore for establishing an integrated gas based petrochemicals complex and downstream units at Gandhar.
Rate of dividend paid	1987-1988: 10% 1988-1989: 10% 1989-1990: 10% 1990-1991: 06% 1991-1992: 15%
Date of completion of the project, where the object was financing of a project	Phase one completed in 1996 and phase two completed in 2000

2. Partly convertible debentures. The details are as follows:

Type of issue	Partly convertible debentures
Issue amount	Rs. 200.64 crore
Date of opening	February 1, 1994
Date of closing	March 31, 1994
Date of completion of dispatch of delivery of security certificates	June 22, 1994
Issue price of the security	Rs. 80 (without the sale of khoka) Rs. 29 (with the sale of khoka)
Object of the issue	To raise a part of the finances required for meeting the project cost for establishing an integrated gas based petrochemical complex at Gandhar.
Rate of dividend paid	1988-1989: 10% 1989-1990: 10% 1990-1991: 06% 1991-1992: 15% 1992-1993: 20%
Date of completion of the project, where the object was financing of a project	Phase one completed in 1996 and phase two completed in 2000

3. Global Depository Shares. The details are as follows:

Type of issue	Global Depository Shares (GDS)
Offer document dated	December 8, 1994
Issue amount	6,126,126 GDS representing 18,378,378 Shares at a price of USD 13.875 per GDS aggregating to USD 84,999,998.25
Issue price of the security	USD 13.875 per GDS
Object of the issue	To finance the Company's capital expenditure with respect to the Gandhar complex project under applicable Indian regulations, up to 15% of the net proceeds may be used for certain general corporate purposes
Rate of dividend paid	1989-90: 10% 1990-91: 06% 1991-92: 15% 1992-93: 20% 1993-94: 20%
Date of completion of the project, where the object was financing of a project	Phase one completed in 1996 and phase two completed in 2000

4. Foreign Currency Convertible Debentures. The details are as follows:

Type of issue	Foreign Currency Convertible Debentures (2.50% CREDITS due March 11, 2002)
Offer Document dated	February 25, 1997
Issue amount	USD 150 million
Issue price of the security	At a face value of 10,000 USD per instrument
Object of the issue	To finance the Company's capital expenditure with respect to the Gandhar complex project under applicable Indian regulations, up to 25% of the net proceeds may be used for certain general corporate purposes
Date of completion of the project, where the object was financing of a project	Phase one completed in 1996 and phase two completed in 2000

IPCL - Promises vs. Performance

The promises given in the public issue of 1992 were revised in the offer document for the rights issue of 1994. The promise versus performance is given below:

Particulars	Year ended March 31, 1994		Year ended March 31, 1995		Year ended March 31, 1996	
	Actual	Projected	Actual	Projected	Actual	Projected
Gross Sales	2,154.27	2,289.00	3,192.64	2,519.00	3,804.00	2,806.00
Other Income	125.38	26.00	60.29	25.00	60.46	25.00
Gross Profit	437.49	442.00	950.13	551.00	1304.09	616.00
Interest	240.30	216.00	224.31	210.00	211.63	188.00
Depreciation	107.99	146.00	121.38	170.00	122.46	190.00
Tax		0.00	0.00	0.00		0.00
Profit After Tax	89.17	80.00	562.32	171.00	603.69	238.00
Equity	203.49	207.00	248.83	232.00	248.95	262.00
Reserves	940.64	964.00	1,736.42	1,109.00	2,242.00	1,292.00
Net Worth	1,144.13	1,171.00	1,985.25	1,341.00	2,491.00	1,554.00
EPS (Rs)	4.38	3.86	22.60	7.37	24.25	9.08
Book Value per share (Rs)	56.23	56.60	79.78	57.80	100.00	59.30
Dividend	20%	20%	30%	20%	40%	20%

Reasons for Variation

Fiscal 1993-1994

Other Income: The increase in Other Income is mainly due to (i) profit on sale of assets for Rs. 810.2 million (ii) sales tax set off for Rs. 30 million (iii) other miscellaneous receipts for Rs. 70 million.

Fiscal 1994-1995

Gross Sales: The Company's sales volume crossed 764,393 mta, which is an all time record and represents an increase of 24% over the previous year. The polymer group was dominant in sales during the year. The share of polymer products was 59% of the total volume of sales, which has contributed to 65% of net sales value.

The business environment was conducive for growth in the petrochemicals industry due to higher availability from domestic source and also from international market during the first half of the year. Consistent and higher performance of the user industries boosted the demand for petrochemicals during the second half of the year. Imports of plastics by misuse of VABAL were to a large extent eliminated.

Gross Profit: The higher sales have resulted in additional contribution.

Other Income: The increase in other income is mainly due to (i) profit on sale of fixed assets Rs. 115.8 million (ii) interest from Bank Rs. 60 million (iii) others Rs. 100 millon.

Year 1995-1996

Other Income: The increase in other income is mainly due to (i) interest for Rs. 200 million (ii) sales tax set-off for Rs. 30 million (iii) miscellaneous income of Rs. 100 million.

Gross Sales: The net sales turnover was Rs. 31,030 million against Rs. 25,460 million achieved during the preceding year and registered a growth of 22%. The polymer group continued to play a dominant role in building the sales volume.

Additional capacities coming up pursuant to commissioning of polypropylene, polybutadiene rubber plants at Vadodra complex and Gandhar complex, the product development efforts were intensified for marketing Polypropylene (valtec) and polybutadiene rubber (PBR). Our Company successfully commenced marketing of polyster chips by converting dimethyl terephthalate / monoethylene glycol into polyester chips.

Outstanding Debentures or Bond Issues or Preference Shares

For details, see “Details of Secured Borrowings” on page 213 of this Preliminary Sale Document. There are no outstanding preference shares of our Company.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time, except as stated in the section entitled “Capital Structure” on page 67 of this Preliminary Sale Document.

Issues Otherwise than for Cash

Except as stated in the section entitled “Capital Structure” on page 67 of this Preliminary Sale Document, we have not issued any equity shares for consideration otherwise than for cash.

Option to Apply

Equity shares being offered through this Preliminary Sale Document can be applied for in the dematerialised form only.

Purchase of Property

There is no property which we have purchased or acquired or proposes to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the present offer or the purchase or acquisition of which has not been completed on the date of this Preliminary Sale Document, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Offer nor is the Offer contemplated in consequence of the contracts; or
- The amount of the purchase money is not material; or
- Disclosure has been made earlier in this Preliminary Sale Document

Except as elsewhere stated in this Preliminary Sale Document, we have not purchased any property in which any of our promoters and directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Whole-Time Directors

Mr. S.K. Anand has been appointed as the Whole-Time Director of our Company for a period of five years, with effect from June 4, 2002.

In accordance with the resolution adopted at the meeting of the shareholders of our Company on September 27, 2002, and the agreement executed pursuant thereto, following are the terms of remunerations and conditions of the appointment.

1. Salary - Rs. 1.5 million
2. Perquisites and Allowances - Rs. 0.9 million

Revaluation of Assets

We have not revalued any of our assets since inception.

Classes of Shares

Our authorised capital is Rs. 8,000,000,000 divided into 4,000,000,000 equity shares of Rs. 10 each and 4,000,000,000 non-convertible redeemable preference shares of Rs. 10 each.

Interest of Promoters and Directors

Except as stated in the “Related Party Transactions” on page 159 of the Preliminary Sale Document, the Promoter, and other related parties do not have any interest in our business except to the extent of investments made by them in our Company and earning returns thereon.

Our non-executive Directors do not receive any remuneration from us except for sitting fees of Rs. 20,000 per meeting of the Board or any committee thereof. The Government nominees are not paid any sitting fees. The Directors may be paid for the work done by them for our Company in their professional capacity and are interested to the extent of such payment for the services rendered by them for us. The Whole-time Director is interested to the extent of remuneration paid to for services rendered as our employee.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted/transferred to the companies, firms and trust, in which they are interested as directors, members, partners and/or trustee.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold directorships or any partnerships in which they are a partner.

Except as stated in this Preliminary Sale Document, we have not entered into any contract, agreements or arrangement during the preceding two years from the date of the Preliminary Sale Document in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Payment or Benefit to Promoters or Officers of our Company

Except as stated otherwise in this Preliminary Sale Document, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Promoter or officers except the normal remuneration for services rendered as directors, officers or employees.

Borrowing Powers of Directors

Article 51 of our AOA provides that subject to the provisions of Sections 58A, 58AA, 292 and 293 of the Act and of the Articles, the Directors may, from time to time at their discretion by a resolution passed at a meeting of the Board, borrow and/or accept, deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source. The AOA also provides that issue of any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on conditions that they shall be convertible into shares of any denomination, and with privileges and conditions as to allotment of shares and attending (but not voting) at general meetings, appointment of Directors, redemption, surrender, drawing, buy-back, reissue and otherwise, and debentures with the right to conversion into or allotment of shares, shall be issued only with the consent of the Company in general meeting. The Directors are also allowed to create security in favour of lenders subject to the provisions of the Companies Act.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF IPCL

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of IPCL to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares/debentures and/or on their consolidation/splitting are detailed below:

The Articles contained in Table A in Schedule I to the Companies Act, as amended from time to time, so far as they are not excluded, modified or altered in our Articles, shall apply to our Company.

Paragraph numbers referred below refer to the paragraph numbers in our Articles of Association.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

5. **Power to increase capital:** Subject to the approval of the Company in General Meeting, the Board of Directors may increase the share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe.

6. **On what conditions new shares may be issued:**

   (a) New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, as the Directors shall determine.

   (b) The Company may issue equity shares with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed.

8. **New shares to be offered to members:** Subject to the provisions of Section 81 of the Act, the new shares shall be offered to the persons who, at the relevant date fixed for the offer, are holders of the equity shares of the Company in proportion as nearly as circumstances admit to the capital paid up on these shares at the date of the offer and such offer which the member is entitled and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of such time or on receipt of an intimation from the member to whom such notice is given that he declines to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company.

   Notwithstanding the provisions contained in the above paragraphs:

   (a) If the Board, in the exercise of good faith and in its reasonable judgement, determines that the Company requires additional funds, and such funds cannot be obtained from Banks or other Financial Institutions, on reasonable arms length commercial terms (or terms that are more favourable to the Company than reasonable arms length commercial terms) and without guarantees of, or recourse to, the shareholders or the Principal or any Person not dealing at arms length with any shareholder or the Principal, the Board may request, by issuance of a notice (the **"Funding Notice"**) to all the shareholders of the Company, to contribute, within 90 business days after the issuance of the Funding Notice (the **"Funding Period"**) additional capital to the Company on a prorated basis depending upon the number of voting equity shares of the Company then held by such shareholders, by way of subscription for additional voting equity shares in accordance with Section 81(1) of the Act and / or provide a loan to the Company, or as determined by the Board and set forth in the Funding Notice.

   (b) If additional capital is to be contributed, pursuant to Regulation 8(a) herein by way of subscription for additional voting equity shares of the Company, then the subscription price for each such additional voting equity shares shall be determined by the Board and set out in the Funding Notice. The Company shall, promptly upon the receipt of such subscription amount, issue to all shareholders the appropriate number of voting equity shares based upon the payment received from each such shareholder.

   (c) If any offer to subscribe for voting equity shares of the Company that is made pursuant to Regulation 8(a) herein (such offer, the **"Right"**) includes by law or by contract a right to renounce the Right in favour of any other Person, then, no Shareholder shall renounce such Right in favour of any other Person (other than an Affiliate of the renouncing Shareholder) without first giving the other Shareholder a reasonable opportunity to acquire such Right on the same terms and conditions that such Right is proposed to be renounced in favour of any other Person (other than an Affiliate of the renouncing Shareholders)

11. **Reduction of Capital:** The Company may, from time to time by special resolution, subject to confirmation by the Court or such other authority as may be prescribed and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce the share capital and any Capital Redemption Reserve Account or premium account in any manner for the time being authorized by law and in particular without prejudice to the generality of the foregoing power may by:

(a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;

(b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up share capital which is lost or is unrepresented by available assets; or

(c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company;

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

13. **Variation of Shareholders Rights:** If at anytime, the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be modified, abrogated or dealt with by agreement between the Company and by any person purporting to contract on behalf of that class, provided such agreement is

(a) consented in writing by the holders of at least three-fourths of the nominal value of the issued shares of that class, or

(b) sanctioned by a special resolution passed at a separate general meeting and supported by the votes of at least three-fourths of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting.

14. **Buyback of Shares:** The Board of Directors may, purchase shares or other specified securities of the Company (referred to as 'Buy back') in compliance with the provisions of Sections 77-A, 77-AA and 77-B of the Act.

LIEN

26. **Company's lien on shares:** The Company shall have a first and paramount lien on every share (not being a fully paid up share) registered in the name of a member (whether solely or jointly with others), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares provided that the Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this Article.

27. **Enforcement of lien by sale:** The Company may sell, in such manner as the Board think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, or until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled by reason of his death or insolvency.

To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares and he shall not be bound to see the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

28. **Application of proceeds of sale:** The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

FORFEITURE

30 **If call or installment not paid notice must be given:**

(a) If a member fails to pay any call, or installment of call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

(b) The notice aforesaid shall (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made, will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(d) When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture, and entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

(e) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(f) At any time before a sale or disposal as aforesaid the Board may cancel the forfeiture on such terms as it thinks fit.

31. **Effect of forfeiture:**

(a) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares.

(b) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

32. **Declaration of forfeiture:**

(a) A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

(b) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.

(c) The transferee shall thereupon be registered as the holder of the share.

(d) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

33. **Provision regarding forfeiture to apply in case of non-payment of sums payable at a fixed time:** The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

35. **Securities freely transferable:** Subject to the provisions of Sections 108 and 111A of the Act the shares or debentures and any interest therein of the Company shall be freely transferable.

37. **Company not bound to recognize any interest in shares other than that of the registered holders:** Save as herein otherwise provided the Board shall be entitled to treat the person whose name appears on the register of members or the register of debenture holders as the holder of any share or debenture, as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as required by law) be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share or debenture on the part of any person whether or not it shall have express of implied notice thereof.

38. **Execution of transfer:** The instrument of transfer of any share in or debenture of the Company shall be executed both by the transferor and transferee and the transferor shall be deemed to remain holder of the share or debenture until the name of the transferee is entered in the register of members or register of debenture holders in respect thereof.

    Only fully paid Shares or Debentures shall be transferred to a minor acting through his / her or legal or natural guardian. Under no circumstances, Shares or Debentures be transferred to an insolvent or person of unsound mind.

39. **Form of transfer:** Shares in or debentures of the Company may be transferred in the form prescribed under Section 108 of the Act.

40. **Delivery of instrument of transfer:** Every instrument of transfer shall be delivered to the Company at its Registered Office or at the office of its Registrar and Transfer Agents for registration accompanied by any Certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the share or his right to transfer the shares. All instruments of transfer shall be retained by the Company, but any instrument of transfer which the Board may decline to register shall on demand be returned to the person depositing the same.

41. **When transfer books and register may be closed:** The transfer books and the register of members or the register of debenture holders may be closed for any time or times not exceeding in the whole 45 days in each year and not exceeding 30 days at a time after giving not less than 7 days notice in accordance with Section 154 of the Act.

42. **Nomination of shares:**

    (a) Every holder of shares in, or holder of debentures of the Company, may, at any time, nominate in the prescribed manner, a person to whom his/her shares in, or debentures of the Company shall vest in the event of his/her death.

    (b) Where the shares in, or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.

    (c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in, or debentures of, the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company or, as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

    (d) Where the nominee is a minor, it shall be lawful for the holder of the shares, or holder of debentures, to make the nomination in the prescribed manner to appoint any person to become entitled to shares in or debentures of the Company, in the event of his/her death, during the minority.

43. **Transmission of shares:**

(a) Any person, who becomes a nominee by virtue of the provisions of Section 109-A of the Act, upon the production of such evidence, as may be required by the Board and subject as hereinafter provided, elect, either:-

i) to be registered himself/herself as holder of the share or debenture, as the case may be; or

ii) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

(b) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share or debenture himself, as the case may be, he/she shall deliver or send to the Company a notice in writing signed by him/her stating that he/she so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.

(c) All the limitations, restrictions and provisions of the Act relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

(d) A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he/she would be entitled if he/ she was the registered holder of the share or debenture except that he/ she shall not, before being registered a member in respect of his/her share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company;

Provided that the Board may, at anytime, give notice requiring any such person to elect either to be registered himself/herself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

44. **Depositories Act to apply:** In the case of transfer of shares or other marketable securities where the Company has not issued any Certificates and where such Certificates or securities are being held in an electronic and fungible form the provisions of the Depositories Act, 1996 shall apply.

BORROWING POWERS

51. **Power to borrow:** Subject to the provisions of sections 58A, 58AA, 292 and 293 of the Act and of these Articles, the Directors may, from time to time at their discretion by a resolution passed at a meeting of the Board, borrow and/or accept, deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source.

Provided that, where moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Directors shall not borrow such money without the sanction of the Company in general meeting. No debt incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without the knowledge that the limit imposed by this Article had been exceeded.

52. **Terms of issue of debentures:** Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on conditions that they shall be convertible into shares of any denomination, and with privileges and conditions as to allotment of shares and attending (but not voting) at general meetings, appointment of Directors, redemption, surrender, drawing, buy-back, reissue and otherwise, and debentures with the right to conversion into or allotment of shares, shall be issued only with the consent of the Company in general meeting.

53. **Registration of charges:** Subject to the provisions of Sections 125, 127, 128, 129, 133, 134 to 138 and 144 of the Act, the Company may create charge on any property of the Company to secure the payment of

secured loans availed and secured debentures, bonds in the nature of debentures issued by the Company from time to time.

54. **Conditions on which money may be borrowed:** The Directors may, subject to the provisions of sections 292 and 293 of the Act, secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual, or redeemable debentures or debenture-stock or any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being:

    Provided that no approval of the members would be necessary for borrowing from the banks for the purpose of meeting the working capital requirements on the hypothecation of the Company's current assets.

55. **Securities may be assignable free from equities:** Debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

56. **Issue at discount etc. or with special privilege:** Subject to the approval of the Company in general meeting and the provisions of Sections 76 and 117 of the Act: debentures, debenture-stock, bonds, or other securities may be issued at a discount, premium or otherwise, and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending general meetings of the Company, appointment of Directors and otherwise.

57. **Persons not to have priority over any prior charge:** If any uncalled capital of the Company is included in or charged by any mortgage or other security the Directors shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.

58. **Indemnity may be given:** If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

GENERAL MEETINGS

59. **General Meeting:** Subject to the provisions contained in Sections 166 and 210 of the Act, as far as applicable, the Company shall in each year, hold in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

    Provided that, if the Registrar for any special reason, extends the time within which any annual general meeting shall be held, then such annual general meeting may be held within such extended period.

    The Company may, in any one annual general meeting, fix the time for its subsequent annual general meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as Auditor. At every annual general meeting of the Company, there shall be laid on the table, the Directors' Report, the audited statement of accounts and auditors' report (if any, not already incorporated in the audited statements of accounts). The proxy registered with the Company and Register of Directors' Shareholdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to prepare the annual list of member, summary of Share Capital, Balance-Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

60. **Business of General Meeting:**

    (a) The business of an Annual General Meeting shall be to receive and consider the profit and loss account, the balance sheet, and the report of the Directors and of the auditors, to declare dividends, the appointment of Directors in the place of those retiring and the appointment of and the fixing of the remuneration of the auditors. All other business transacted at such meeting and all business transacted at an extraordinary general meeting, shall be deemed special.

(b) The Company may pass resolution by postal ballot in the manner prescribed by Section 192A of the Companies Act, 1956 and such other applicable provisions of the Act and any future amendments or re-enactments. Notwithstanding anything contained in the provisions of the Act, the Company, being a listed company, shall in the case of resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, to get such resolution passed by means of a postal ballot instead of transacting the business in general meeting of the Company.

61. **When Extra-ordinary Meeting to be called:** The Directors may, whenever they think fit or on the requisition of the holders of not less than one-tenth of the paid-up capital of the Company, as at that date, carries the right of voting in regard to that matter, forthwith proceed to convene an extraordinary general meeting of the Company, and in the case of such requisition the following provisions shall have effect.

(a) The requisition must state the object(s) of the meeting and must be signed by the requisitionists and deposited at the Registered Office and may consist of several documents in like form, each signed by one or more requisitionists.

(b) If the Directors of the Company do not proceed, within twenty-one days from the date of the requisition being so deposited, to cause a meeting to be called, then on a day not later than 45 days from the date of the deposit, the requisitionists themselves, or such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of such of the paid up capital of the Company as is referred to in Article hereinabove, whichever is less, may convene the meeting, but any meeting so convened shall be held within three months from the date of the deposit of the requisition.

(c) Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors.

62. **Notice of Meeting:**

(a) A general meeting of the Company may be called by giving not less than twenty one days' notice in writing specifying the place, day and hour of meeting, with a statement of the business to be transacted at the meeting.

(b) A general meeting may be called after giving shorter notice than that specified in clause (a) above, if consent is accorded thereto

(i) in the case of an annual general meeting by all the members entitled to vote thereat; and

(ii) in the case of any other meeting by members of the Company holding not less than 95% of such part of paid up capital as gives right to vote at the meeting:

Provided that where any resolution is intended to be passed as a special resolution at any general meeting as required by Section 189 (2) of the Act, notice of such meeting specifying the intention to propose the resolution as a special resolution shall be served.

63. **Omission to give notice:** The accidental omission to give any such notice to or the non-receipt of any such notice by any member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETING

64. **Quorum:**

(a) No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(b) The quorum requirement for the General Meeting of the Company shall be governed by the provisions of the Act.

(c) Notwithstanding the provisions of Article 64(b) herein, at least one authorized representative each of the Government and the Strategic Partner, in case of a General Meeting, shall be necessary to constitute quorum for any meeting in which a resolution for any of the matters, specified in Article 104 herein, is to be passed and a notice of not less than 21 (twenty one) days shall be given to the Government and the Strategic Partner for any such meeting, unless the Government and the Strategic Partner agree to a shorter notice in writing.

(d) In the event that no authorised representative of either the Government or the Strategic Partner is present at a meeting referred to in Article 64(c) herein, such meeting shall stand adjourned to the same day in the next week, at the same time and place or to such later day as may be notified to the Government or the Strategic Partner, as the case may be.

(e) In the event that no authorised representative of the same shareholder, whose authorised representative was not present in the meeting referred to in Article 64(d) herein, such meeting shall stand adjourned to the same day in the next week at the same time and place or to such later day as may be notified to such shareholder.

(f) Notwithstanding anything to the contrary in Article 64(c) herein, in the event that no authorised representative of the same shareholder, whose authorised representative was not present in the meetings referred to in Articles 64(d) and 64(e) and herein, is present at the adjourned meeting referred to in Article 64(e) herein, it shall be deemed that the presence of the authorised representative of such shareholder is not required for such meeting and the shareholders present at such adjourned general meeting shall be entitled to proceed with the items on the agenda in such manner as they deem fit even though such items may be relating to matters listed in Article 104(c) herein.

65. **Right of President/Governor to appoint any person as his representatives:**

(a) The President of India and the Governor of a State, so long as he is a share-holder of the Company, may from time to time, appoint any one person (who need not be a member of the Company) to represent him at all or any meetings of the Company.

(b) The person appointed under sub-clause (a) of this Article, who is personally present at the meeting shall be deemed to be a member entitled to vote and be present in person and shall be entitled to represent the President/Governor at all or any such meetings and to vote on his behalf whether on a show of hands or on a poll.

(c) The President/Governor may, from time to time, cancel any appointment made under sub clause (a) of this Article and make a fresh appointment.

(d) The production at the meeting of an order of the President/Governor evidenced as provided in the Constitution of India shall be accepted by the Company as sufficient evidence of any such appointment or cancellation as aforesaid.

66. **Chairman of General Meeting:** The Chairman of the Board shall be entitled to take the Chair at every general meeting, or if there be no such Chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their number to be Chairman of the meeting. If at any meeting no Director is willing to act as Chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be Chairman of the meeting.

67. **Power to adjourn General Meeting:** The Chairman of a general meeting may, with the consent of the meeting, at which a quorum is present and shall, if so directed by the meeting, adjourn the meeting, from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

68. **When if quorum not present meeting to be dissolved and when to be adjourned:** If, within half an hour after the time appointed for the holding of a general meeting a quorum be not present, the meeting, if convened on the requisition of shareholders, shall be dissolved and in every other case the provisions contained in Article 64 shall apply during the currency of the Shareholders' Agreement.

VOTES OF MEMBERS

69. **How question to be decided at meetings:** Every question submitted to a meeting shall be decided in the first instance by a show of hands, and in the case of an equality of votes, the Chairman shall, both on a show of hands and at a poll (if any), have a second or casting vote in addition to the vote or vote to which he may be entitled as a member.

70. **What is to be evidence of the passing of a resolution where poll not demanded:** At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is demanded before or on the declaration of the result of the show of hands. Unless a poll is demanded, a declaration by Chairman that a resolution has on a show of hands, been carried or carried unanimously or by a particular majority or lost, and an entry to that effect in the book of proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the vote recorded in favour of or against that resolution.

71. **Poll:** Subject to the provisions of Section 179 of the Act, if a poll is duly demanded, it shall be taken in such manner and at such time and place as the Chairman of the meeting directs, and either at once, or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn at any time by the person or persons who made the demand.

72. **In what cases poll taken without adjournment:** Subject to the provisions of Section 180 of the Act, any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

73. **Other business may proceed notwithstanding demand of poll:** The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

74. **Chairman's decision conclusive:** The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

75. **Votes of members:** Upon a show of hands every member present in person shall have one vote, and upon a poll every member present in person or by proxy or by duly authorized representative shall have one vote for every share held by him.

    During the currency of the Shareholders' Agreement, excepting the matters listed in Article 104(c) herein and those requiring a special resolution of the Company, the Government or any other entity nominated by it shall at all shareholders' meetings of the Company exercise the voting rights attached to the voting equity shares of the Company held by the Government in the manner directed in writing by the Strategic Partner.

76. **No voting by proxy on show of hands:** No member not personally present or by duly authorized representative shall be entitled to vote on a show of hands.

77. **Vote in respect of shares of deceased and bankrupt members:** Any person entitled under the transmission clause to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares, unless the Directors shall have previously admitted his right to transfer such shares or his right to vote at such meeting in respect thereof.

78. **Joint holders' right to vote:**

    (a) Any one of two or more joint-holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting provided always that a joint-holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by Attorney or by proxy although the name of such joint-holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.

(b) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint-holders.

79. **Votes in respect of shares of members of unsound mind and minor:** A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may, on a poll vote by proxy. If any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

80. **Proxies permitted:** On a poll, votes may be given either personally or by proxy or by duly authorized representative.

81. **Instrument appointing proxy to be in writing:** A member entitled to attend and vote at a meeting may appoint another person (whether a member or not) as his proxy to attend a meeting and vote on a poll. No member shall appoint more than one proxy to attend on the same occasion. A proxy shall not be entitled to speak at a meeting or to vote except on a poll. The instrument appointing a proxy shall be in writing and be signed by the appointer or his attorney duly authorized in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.

82. **Instrument appointing proxy to be deposited at office:** The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poli, and in default the instrument of proxy shall not be treated as valid.

83. **When vote by proxy valid though authority revoked:** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation, or transfer or transmission shall have been received at the registered office of the Company before the commencement of the meeting or adjourned meeting at which the proxy is used.

84. **Form of Proxy:** An Instrument appointing a proxy shall be in either of the Forms in Schedule IX to the Act or a Form as near thereto as circumstances admit.

85. **No members entitled to vote etc., while call due to Company:** No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

86. **Time for objection to vote:**

(a) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

(b) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

BOARD OF DIRECTORS

88. **Number of Directors:** The business of the Company shall be managed by the Board of Directors and the number of Directors of the Company shall not be less than three (3) and not more than sixteen (16). The Directors are not required to hold any qualification shares.

89. **Appointment of Directors:** During the currency of the Shareholders' Agreement the composition of the Board shall be as under:

(a) so long as the Strategic Partner, directly or indirectly continues to hold at least 26% of the voting Equity

Share Capital of the Company, the SP shall have the right to appoint six (6) Directors (including the Managing Director);

(b) so long as the Government, directly or indirectly, continues to hold at least 15% of the voting equity share capital of the Company, the Government shall have the right to appoint two (2) Directors, who shall all be Non-Executive Directors of the Company; and

(c) The remaining four (4) Directors shall be Independent Directors. Notwithstanding anything to the contrary herein, during the 3 (three) year period commencing on 4th June 2002 the Government shall have the right to nominate at least one (1) Director until such time that the Government, directly or indirectly holds at least one (1) equity share of the Company

90. **Alternate Director:** The Board may appoint an Alternate Director recommended for such appointment by a Director other than whole-time Director (hereinafter called the Original Director) in whose place he is being appointed during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the Original Director is determined before he so returns to that State, any provision(s) in the Act or in these Articles for the automatic appointment shall apply to the Original Director and not to the Alternate Director.

91. **Appointment of Chairman, Deputy Chairman:** The Board may, from time to time, appoint a Chairman of the Board of Directors and determine the period for which he is to hold his office. The Board may designate one of the Directors appointed as Deputy Chairman and determine the period for which he is to hold his office.

92. **Removal of Directors:** Subject to the provisions of Sections 190, 284 and 408 of the Act, the Board shall have the power, to remove any Director including the Chairman, Deputy Chairman, if any, and the Managing / Whole-Time Director, from office at any time at its absolute discretion.

However, during the currency of the Shareholders' Agreement, the Government and the Strategic Partner shall be entitled to remove and replace any director nominated by them except the independent directors nominated by either party by notice to such director, the other party and the Company. Any vacancy occurring on the Board by reason of the death, disqualification, inability to act, resignation or removal of any director shall be filled only by another nominee of the party whose nominee was so affected so as to maintain a Board that is consistent with the Article 89 herein.

93. **Director's power to fill casual vacancy and to appoint Additional Director:** The Board shall have the power, at any time and from time to time, to appoint, any person, not disqualified to be a Director, either to fill up a casual vacancy caused by removal, resignation, death or otherwise, or as an Additional Director, such that the total number of Directors shall not at any time exceed the maximum fixed in the Articles herein.

94. **Retirement of Director:** Subject to the provisions of Sections 255 and 256 of the Act, at every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. The retiring Directors shall be eligible for reappointment.

95 **Office or place of profit:** No Director or other person referred to in Section 314 of the Act shall hold an office or place of profit save as permitted by that Section.

96. **Appointment of Managing/ Whole-Time Director/ Manager:**

(a) For the conduct and management of the business of the Company in general, subject to the overall supervision, direction and control of the Board of Directors, the Board may appoint one of the Directors to be the Managing / Whole-Time Director/ Manager who will be the Chief Executive Officer of the Company. The Managing/ Whole-Time Director/ Manager so appointed, may be authorized by the Board to exercise such powers and discretion in relation to the affairs of the Company as are specifically delegated to him by the Board and are not required to be done by the Board of Directors of the Company or the Company at its general meeting. The Managing Director / Whole-time Director shall not, while he continues to hold that office, be subject to retirement by rotation. If he otherwise, ceases to hold the office of the Director, he shall ipso facto and immediately cease to be a Managing Director/Whole-time Director.

(b) Subject to the applicable provisions of the Act, the Managing Director and Whole Time Directors/ Manager shall be paid such remuneration as may, from time to time, be approved by the Company.

97. **Special position of Managing Director**: During the currency of the Shareholders' Agreement, the Managing Director of the Company shall be nominated by the Board nominees of the Strategic Partner and shall work under the overall supervision, direction and control of the Board. At each meeting of the Board, unless waived unanimously by the Board, the Managing Director of the Company shall report duly to the Board with respect to the current status of the operations of the Company and with respect to all major developments or planned action involving the Company and shall present to the meeting complete current financial information with respect to the Company.

98. **Remuneration of Directors:**

(a) The fee payable to Director for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors from time to time within the maximum limit of such fee that may be prescribed under the proviso to Section 310 of the Companies Act, 1956.

(b) Subject to the provisions of the Act, any Director if called upon to perform extra services or special exertions or efforts (which expression shall include work done by a Director as a member of any committee formed by the Directors), the Board may arrange with such Director for such special remuneration, for such extra services or special exertions or efforts, either by a fixed sum or otherwise, as may be determined by the Board and such remuneration may be either in addition to or in substitution of his remuneration provided.

(c) The Board may allow and pay to any Director such sum either as fixed allowance and/or actual as the Board may consider fair compensation for travelling, boarding and lodging and incidental and/or such actual out of pocket expenses incurred by the Director, to and from the place at which the meetings of the Board or Committees thereof or General meetings of the Company are held from time to time or any other place at which the Director executes his duties.

(d) Every Director (including a person deemed to be a Director by virtue of the explanation to sub-section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company, who is appointed to or relinquishes the office of Director, Managing Director, Manager or Secretary of any other body corporate shall within twenty days of his appointment or relinquishment of such office as the case may be, disclose to the Company aforesaid the particulars relating to the office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

(e) Every director of the Company and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section and Section 308 of the Act.

PROCEEDINGS OF BOARD

99. **Meeting of Directors and quorum**

(a) The Directors may meet for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit. The Board shall meet at least once every calendar quarter period during the term of this Shareholders' Agreement and in the event that a meeting of the Board is not held during any such quarter period, any director may call a meeting of the Board on 48 hours prior notice to the other Directors. The quorum requirement for the Board shall be governed by the provisions of the Act.

(b) Notwithstanding anything to the contrary in Article 99(a) above the presence of at least one nominee Director each of the Government and the Strategic Partner, in case of a Board Meeting, shall be necessary to constitute quorum for any meeting in which a resolution for any of the matters specified in Article 104 herein, is to be passed and a notice of not less than 7 (seven) days shall be given to the Government and the Strategic Partner for any such meeting, unless the Government and the Strategic Partner agree to a shorter notice in writing.

(c) In the event that no nominee Director of either the Government or the Strategic Partner is present at a meeting referred to in Article 99(b) herein, such meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such later day as may be notified to the Government or the Strategic Partner, as the case may be.

(d) In the event that no nominee Director of the same shareholder, whose nominee director was not present in the meeting referred to in Article 99(b), is present at the adjourned meeting referred to in Article 99(c) herein, such meeting shall stand adjourned to the same day in the next week, at the same time and place.

(e) Notwithstanding any thing to the contrary in Article 99(b) herein, in the event that no nominee Director of the same shareholder, whose nominee director was not present in the meetings referred to in Articles 99(c) and 99(d) is present at the adjourned meeting referred to in Article 99(d), it shall be deemed that the presence of the nominee Director of such shareholder is not required for such meeting and the Directors' present at such adjourned Board Meeting shall be entitled to proceed with the items on the agenda in such manner as they deem fit even though such items may be relating to matters listed in Article 104(c) herein.

100. **Place of meeting:**

(a) The meeting of the Board may be held at the Registered Office or anywhere else in the interests of the Company.

(b) The Board may, if the circumstances so require, meet by means of telephone, television or through any other audio-visual links. The provisions relating to notice, agenda, quorum and minutes stated hereinafter shall mutatis mutandis apply to the meetings held through such audio or audio-visual media.

101. **Director may summon meeting, how question to be decided:**

(a) A Director may and the Secretary on the requisition of a Director shall, at any time convene a meeting of the Directors. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the Board, if any, shall have a second or casting vote.

(b) During the currency of the Shareholders' Agreement, the Chairman shall not have a second or casting vote.

102. **Exercise of Powers**: A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretion by or under the Articles of the Company for the time being vested in or exercisable by the Directors generally.

103. **Chairman of Directors meetings:** The Board shall at its meeting elect a Director as Chairman of the Directors' meetings and determine the period for which he is to hold office. If no such Chairman is nominated, or if at any meeting the Chairman is not present within 15 minutes after the time for holding the same, the Directors present may choose one of their number to be Chairman of the meeting. However, during the currency of the Shareholders' Agreement the Board shall have a non-executive chair person who shall be a person nominated to the Board by the Strategic Partner. The chairperson shall not have any casting vote.

104. **Matters requiring affirmative vote of the Government and the Strategic Partner at the General Meeting & at the meeting of the Board:**

(a) The property, business and the affairs of the Company shall be managed exclusively by and be under the direction of the Board. The Board may exercise all powers of the Company and shall have the authority to do all lawful acts and things permitted by applicable law and the Memorandum and Articles of Association. Subject to Article 104(b) below all decisions, actions and resolutions of the Board shall be adopted by the affirmative vote of a simple majority of the members of the Board.

(b) Notwithstanding any other provision of these Articles or otherwise permitted or provided under the Act, no obligation of the Company or any of its subsidiaries shall be entered into, no decision shall be made and no action shall be taken by or with respect to the Company or any of its Subsidiaries in relation to the matters identified in Article 104(c) herein unless such obligation, decision or action as the case may be, is approved, if at any meeting of the Company's shareholders, duly called for the purpose of considering such obligation, decision or action, by an affirmative vote of the authorized representative of both the Government and the Strategic Partner, and if at the meeting of the Board by an affirmative vote of, at least one nominee Director of each of the Government and the Strategic Partner.

(c) During the currency of the Shareholders' Agreement certain matters will require special consent, such as:

(i) Any action which may lead to or result in a material change in the nature of the business of the Company or its subsidiary or undertaking of any new commercial activity which is not related to the Company's activities in the hydrocarbon sector.

(ii) Any negotiations to enter into or entering into any one or series of transaction(s), which causes a sale, lease, exchange or disposition of property or assets of the Company or its subsidiary having an aggregate value exceeding 25% of the total net value of all the fixed assets of the Company as specified in the Audited Financial Statement.

(iii) The granting of any security or creation of any encumbrances on the assets of the Company or guaranteeing the debts of any person which in aggregate exceeds 50% of the Book Value of the Company's Net Assets but excluding those necessary to secure lines of credit / working capital requirements of the Company with Scheduled Banks, Financial Institutions and other recognized financial agencies.

(iv) The making, directly or indirectly, of loans or advances in excess of Rs.500 million to any person.

(v) Any commitment or agreement to do any of the foregoing.

105. **Delegation of powers to committees:** Subject to the provisions of Section 292 and 297 of the Act, the Directors may delegate any of their powers to committees consisting of such members or members of their body as they think fit and may, from time to time, revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated, conform to any Articles that may, from time to time, be imposed upon it by the Directors. The proceedings of such a committee shall be placed before the Board of Directors at its next meeting.

106. **When acts of Directors of Committees valid:** All acts done by any meeting of the Directors, or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

107. **Resolution by Circulation:** Subject to restrictions placed under Section 292 of the Act, resolutions of the Board of Directors can be passed by circulation and they shall be as valid and effectual as if they have been passed at a meeting of the Directors duly called and constituted. No resolution shall, however, be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the committee then in India (not being less in number than the quorum fixed for a meeting of the Board or committee, as the case may be), and to all other Directors or members at their usual addresses in India, and has been approved by such of the Directors as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

108. **Chairman of meetings of committees:**

(a) A Committee may elect a Chairman of its meetings, if no such Chairman is nominated by the Board. If no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be Chairman of the meeting.

(b) Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present and in case of equality of votes, the Chairman shall have a second or casting vote.

109. **Directors to cause minutes to be made in books:**

(a) The Directors shall cause minutes to be made in books provided for the purpose in accordance with the provisions of Section 193 of the Act:

(i) Of all appointments of 'officers' made by the Directors;

(ii) Of the name of Directors present at each meeting of the Directors and of any Committee of Directors

(iii) Of all resolutions and proceedings at all meetings of the Company, and of the Directors, and of the Committees of Directors.

(b) Every Director present at any meeting of the Board or a Committee of Directors shall sign his name in a book to be kept for that purpose.

POWERS OF THE BOARD

110. **General Powers of Company vested in Directors:** Subject to the provisions of the Act, the business of the Company shall be managed by the Directors who may pay all expenses incurred in setting up and registering the Company and who may exercise all such powers and do all such acts and things as the Company is authorized to exercise and do.

Provided that the Directors shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other Act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the Company in general meeting.

Provided further that in exercising any such power or doing any such act or thing, the Directors shall be subject to the provisions contained in that behalf in the Act or any other Act, or in the Memorandum or Articles of the Company, or in any Articles made by the Company in general meeting.

No regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that Article had not been made.

111. **Specific powers of Directors:** Without prejudice to the general powers conferred by the last preceding Regulation and the other powers conferred by these Articles and subject to the provisions of Sections 292-294 and 297 of the Act, the Directors shall have the following powers, that is to say, power:

(a) to purchase, take on lease or otherwise acquire for the Company, property, rights or privileges which the Company is authorized to acquire at such price, and generally on such terms and conditions as they think fit;

(b) to pay for any property, rights or privileges acquired by or services rendered to the Company either wholly or partially in cash or in shares, bonds, debentures or other securities of the Company, and any such shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon; and any such bonds, debentures or other securities may be either specifically charged or not so charged upon all or any part of the property of the Company and its uncalled capital;

(c) to secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as they may think fit;

(d) to appoint managers, secretaries, officers, clerks, agents and servants in permanent, temporary or special services and, at their discretion, remove or suspend them as they may from time to time, think fit and to determine their powers and duties and fix their salaries or emoluments and to require security in such instances and to for such amounts as they think fit;

(e) to appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company, any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust, and to provide for the remuneration of such trustee or trustees;

(f) to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any claims or demands by or against the Company.

(g) to refer any claims or demands by or against the Company to arbitration, and observe and perform the awards;

(h) to make and give receipts, releases, and other discharges for money payable to the Company, and for the claims and demands of the Company;

(i) to determine who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents;

(j) from time to time to provide for the management of the affairs of the Company outside their organisations in such manner as they think fit, and in particular to appoint any person to be the attorneys or agents of the Company with such powers (including power to sub- delegate) and upon such terms as may be thought fit;

(k) to invest in such securities and deal with any of the moneys of the Company upon such investments authorized by the Memorandum of Association of the Company (not being shares in the Company) and in such manner as they think fit, and from time to time to vary or realize such investments;

(l) to execute in the name and on behalf of the Company in favour of any Directors or other person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed on;

(m) to give to any person employed by the Company a commission on the profits of any particular business transaction or a share in the general profits of the Company, and such commission or share of profits shall be treated as part of the working expenses of the Company.

(n) from time to time to make, vary and repeal bye-laws for the Article of the business of the Company its officers and servants;

(o) to give award or allow any bonus, pension, gratuity or compensation to any employee of the Company or his widow, children or dependents, that may appear to the Directors just or proper, whether such employee, his widow, children or dependents have, or have not a legal claim upon the Company;

(p) before declaring any dividend, to set aside such portion of the profits of the Company as they may think fit, to form a fund to provide for such pensions, gratuities or compensations or to create any provident or benefit fund in such manner as the Directors may deem fit;

(q) to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company;

(r) subject to the provisions contained in Article 96, to sub delegate all or any of the powers, authorities and discretion for the time being vested in them subject, however, to the ultimate control and authority being retained by them;

(s) subject to the provisions of Section 58A, 58AA, 292 and 293 of the Act and of these Regulations the Directors may, from time to time at their discretion by a resolution passed at a meeting of the Board, borrow and/or accept, deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source; and

(t) to establish, maintain, support and subscribe to any charitable, public or useful object or any institution, society or club or fund which may be for the benefit of the Company or its employees or may be connected with any town or place where the Company carries, on its business or any object in which the Company may be interested.

RESERVES AND DIVIDENDS

115. **Reserve Fund:** Subject to Section 205 of the Act the Board may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as reserve fund, to meeting contingencies or for equalizing dividends, or for special dividends, or for repairing, improving and maintaining any of the property of the Company, and for such other purposes as the Directors shall, in their absolute discretion, think conducive to the interests of the Company, and may invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit; from time to time, deal with and vary such investments, and dispose of all or any part thereof for the benefit of the Company; and may divide the reserve funds into such special funds as they think fit and employ the reserve funds or any part thereof in the business of the Company, and that without being bound to keep the same separate from the other assets.

116. **Dividends:** The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorized to be created by these presents and subject to the provisions of these presents

as to the reserve funds shall, be divisible among the members in proportion to the amount of capital held by them respectively. Provided always that (subject as aforesaid) any capital paid up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

117. **Declaration of dividends:** The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits, and may fix the time for payment but no dividend shall exceed the amount recommended by the Directors.

118. **Dividend out of profits only:** No dividend shall be declared or paid by the Company for any financial year except out of profits of the Company for that year arrived at after providing for the depreciation in accordance with the provisions of sub-section (2) of the Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for the depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Government for the payment of dividend in pursuance of a guarantee given by the Government.

119. **What to be deemed net profit:** The declaration by the Board as to the amount of the net profits of the Company shall be conclusive.

120. **Interim dividend:** The Board may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

121. **Debts may be deducted:** The Board may retain any dividends on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

122. **Dividend and call together:** Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but the call on each member shall not exceed the dividend payable to him, and the call be made payable at the same time as the dividend, and the dividend may if so arranged between the Company and the members, be set off against the call.

123. **Dividends payable only in cash:** Subject to the provisions of Section 205 of the Act as amended, no dividend shall be payable except in cash.

124. **Effect of transfer:** A transfer of shares shall not pass the right to any dividend declared thereon after such transfer and before the registration of the transfer.

125. **Retention of dividend until completion of transfer:** The Directors may retain the dividend payable on shares in respect of which any person is under the transmission clause entitled to become a member or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

126. **Dividend to joint holders:** Any of the several persons, who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.

127. **Payment by post:** Unless otherwise directed, any dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled or in the case of joint holders, to the registered address of that one whose name stands first on the register in respect of the joint holding and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

128. **Unclaimed dividend:** No unpaid and unclaimed dividend shall be forfeited by the Directors and the Company shall, comply with the provisions of section 205C of the Act as regards unclaimed and unpaid dividends. The dividend amounts remaining unclaimed and unpaid for a period of seven years from the date they became due for payment, shall be transferred to the Investors' Education and Protection Fund established by the Central Government.

SHAREHOLDERS' AGREEMENT

158. **Shareholders' Agreement:** The Company acknowledges that the Government and the Strategic Partner have entered into the Shareholders' Agreement which is valid, binding and enforceable between them or any transferees from them and any successors in interest. Salient terms of the shareholders agreement are set out in Appendix-1 thereto to notify the shareholders of their covenants. The Company has undertaken that it shall not aid and / or abet any violation of the Shareholders' Agreement.

RESTATED FINANCIAL STATEMENTS

Deloitte Haskins & Sells
Chartered Accountants
Mumbai

Auditors' Report
To the Board of Directors
Indian Petrochemicals Corporation Limited
P.O. Petrochemicals
Vadodara 391 346
Gujarat

Dear Sirs

We have examined the accompanying Summary of Assets and Liabilities, as restated as at March 31, 1999, 2000, 2001, 2002, 2003 and December 31, 2002 and 2003 and the Summary of Profit and Loss Account, as restated for each of the years/periods ended on those dates (collectively "the Summary Statements") of Indian Petrochemicals Corporation Limited ("the Company") for the purpose of the proposed offer for sale of equity shares of the Company by the Government of India.

The accompanying Summary Statements are based on the audited financial statements of the Company. The financial statements of the Company for the financial years ended March 31, 1999, 2000, 2001 and 2002 have been audited by Kantilal Patel & Co., Chartered Accountants for those respective years as Statutory Auditors. We have audited the financial statements of the Company as of and for the year ended March 31, 2003 on which we issued our unqualified audit report dated April 22, 2003.

We have also audited the Balance Sheets of the Company as at December 31, 2002 and 2003 and the related statements of Profit and Loss Account and Cash Flows (collectively "financial statements") for each of the nine-month periods then ended and issued our unqualified audit reports dated February 10, 2004 thereon. The said reports state that those financial statements give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

I. in the case of Balance Sheets, of the state of affairs of the Company as at December 31, 2002 and 2003;

II. in the case of Profit and Loss Account, of the profit for the nine-month periods ended on each of those dates; and

III. in the case of Cash Flow statements, of the cash flows for the nine-month periods ended on each of those dates.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act"), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereto ("SEBI Guidelines") and based on our examination of the Summary Statements, we report:

a) The restated profits of the Company for the financial year ended March 31, 2003 and for the nine-month periods ended December 31, 2002 and 2003 are as set out in Annexure I to this report. This profit has been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.

b) The restated assets and liabilities of the Company as at March 31, 2003, December 31, 2002 and 2003 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.

c) The rates of dividends paid by the Company in respect of the five financial years ended March 31, 2003 and the nine-month periods ended December 31, 2002 and 2003 are as shown in Annexure III to this report.

d) In respect of financial information contained in the Summary Statements relating to the years ended March 31, 1999, 2000, 2001 and 2002, we have relied upon the original audit reports of Kantilal Patel & Co., Chartered Accountants, and on their audit report on the Summary Statements for those years. Additionally, we have reviewed the financial information and the audited financial statements for those years. Our report referred to in paragraph (e) below is based on the audited reports of Kantilal Patel & Co., Chartered Accountants, supplemented by our limited review for the above years.

e) We report that the Summary Statements of the Company as of and for the years/periods ended March 31, 1999, 2000, 2001, 2002, 2003 and December 31, 2002 and 2003 read with the significant accounting policies and notes thereto (Annexure IV), after making adjustments and re-grouping as considered appropriate have been prepared in conformity with the accounting principles generally accepted in India and in accordance with Part II of Schedule II of the act and the SEBI Guidelines.

In respect of the Summary Statements for the years ended March 31, 1999, 2000, 2001 and 2002 referred to in paragraph (d) above, the scope of our review was limited to:

(i) Reading the minutes of the meetings of the shareholders and the Board of Directors of the Company as set forth in the Minutes books

(ii) Discussing with the management of the Company, the accounting policies used in the preparation of the financial information as restated

(iii) Reviewing the internal audit reports

(iv) Applying analytical procedures to the financial data and making enquiries with the persons of the Company responsible for preparation of financial and accounting matters pertaining to restated financial information.

(v) Reading the report submitted by the statutory auditors of the Company confirming that required adjustments as required by SEBI guidelines have been carried through in the restated financial information and there are no qualifications which require any adjustments to the Summary Statements.

The above review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole and excludes audit procedures such as test of controls and verification of assets and liabilities. Accordingly, we do not express such an opinion.

Other financial information

(f) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the proposed offer for sale of equity shares:

(i) Accounting ratios as appearing in Annexure A to this report.

(ii) Capitalisation statement as appearing in Annexure B to this report.

(iii) Statement of tax shelters as appearing in Annexure C to this report.

(iv) Details of other income as appearing in Annexure D to this report.

In respect of 'Other financial information' stated above, we have relied upon the audited financial statements for the years ended March 31, 1999, 2000, 2001 and 2002 which were audited by Kantilal Patel & Co., Chartered Accountants, as stated above.

In our view, the other financial information mentioned above has been prepared in accordance with Part II of Schedule II of the Act and SEBI Guidelines.

This report is intended solely for your information and for inclusion in the offer document for the proposed offer for sale of equity shares of the Company by the Government of India and is not to be used, referred to or distributed for any other purpose without our written consent.

Yours faithfully
For Deloitte Haskins & Sells
Chartered Accountants

P.R. Barpande
Partner
Membership No. 15291
Place: Mumbai
Dated: February 10, 2004

Annexure I. SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(Rs. million)

	Financial Year ended					Nine-month period ended	
	March 31, 1999	**March 31 2000**	**March 31 2001**	**March 31 2002**	**March 31 2003**	**Dec 31 2002**	**Dec 31 2003**
Income							
Net Sales (Note 1)							
Of Products manufactured by the Company	31,129	40,318	49,614	47,342	49,838	36,341	42,747
Of Products traded in by the Company	19	283	446	57	452	214	12,034
	31,148	**40,601**	**50,060**	**47,399**	**50,290**	**36,555**	**54,781**
Other Income	627	719	1,348	1,319	1,051	537	792
Total	**31,775**	**41,320**	**51,408**	**48,718**	**51,341**	**37,092**	**55,573**
Expenditure							
Raw Materials Consumed	10,270	15,365	18,598	18,380	20,504	15,062	17,680
Purchases of Trading Goods	17	266	417	54	461	220	11,445
Stores, Chemicals and Packing Materials	2,325	2,646	2,339	2,530	3,603	2,000	3,266
Excise Duty on Stocks	172	727	188	(294)	608	320	(117)
Other Manufacturing Expenses	5,721	6,154	9,548	8,401	9,317	6,602	6,582
Employees Remuneration and Benefits	3,022	3,124	4,402	4,027	4,173	3,151	2,958
Establishment Expenses	1,748	1,702	1,667	1,841	1,538	1,401	1,364
Selling and Distribution Expenses	2,226	2,486	2,831	2,733	2,386	1,976	2,670
Interest	2,692	3,946	4,968	3,796	3,690	2,960	2,491
Depreciation	2,704	3,190	4,149	4,244	4,543	3,376	3,508
Miscellaneous Expenditure written off	146	284	322	380	132	115	94
Variation in Stocks	334	(562)	(760)	1,928	(2,807)	(1,732)	426
Total Expenditure	**31,377**	**39,328**	**48,669**	**48,020**	**48,148**	**35,451**	**52,367**
Net Profit before extraordinary, non recurring and prior period adjustments	**398**	**1,992**	**2,739**	**698**	**3,193**	**1,641**	**3,206**
Extraordinary, non recurring and Prior Period Items (Expense) /Income	(69)	(21)	(19)	408	(567)	-	(1,442)
Profit before tax	**329**	**1,971**	**2,720**	**1,106**	**2,626**	**1,641**	**1,764**
Less: Taxation - Current	35	83	231	(56)	190	120	20
Less: Taxation - Deferred	-	-	-	88	395	375	-
Net Profit after tax as per audited statement of accounts	**294**	**1,888**	**2,489**	**1,074**	**2,041**	**1,146**	**1,744**
Impact on account of changes in accounting policies and prior period adjustments [Refer Note 2 to Annexure IV]	(1,373)	(1,280)	(778)	(393)	(200)	(222)	(700)

Adjusted Profit / (Loss)	**(1,079)**	**608**	**1,711**	**681**	**1,841**	**924**	**1,044**
Carry forward Profit from previous year	16,181	4,876	5,204	5,794	9,748	9,748	7,707
Accounting policy changes and prior period adjustments pertaining to previous years [Refer Note 2(f) to Annexure IV]	(9,031)	-	-	-	-	-	-
Debenture Redemption Reserve written back	266	1,360	550	1,136	748	-	-
Transfer from Reserve for Premium on Redemption of Convertible Bonds	-	-	-	17	-	-	-
Transfer from Reserves for Deferred Tax liability and other Expenditure [Refer Notes 2(a), 2(c) and 2(d) to Annexure IV]	-	1,258	-	3,266	-	-	2,140
Profit available for appropriation	**6,337**	**8,102**	**7,465**	**10,894**	**12,337**	**10,672**	**10,891**
Less : Transfer to Reserve for Premium on Redemption of Convertible Bonds	-	-	550	500	-	-	-
Transfer to Debenture Redemption Reserve	1,176	2,143	-	-	-	-	-
Transfer to General Reserve	10	150	300	150	4,000	-	-
Proposed Dividend	248	496	745	496	559	-	-
Corporate Dividend Tax	27	109	76	-	71	-	-
Balance Carried Forward to Balance Sheet	**4,876**	**5,204**	**5,794**	**9,748**	**7,707**	**10,672**	**10,891**

Notes :

1. Net Sales is exclusive of Excise Duty recovered on Sales.
2. The accompanying significant accounting policies and notes are an integral part of this statement.

Annexure II
SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. million)

		As at March 31, 1999	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at Dec 31, 2002	As at Dec 31, 2003
A.	**Fixed assets** (Note 1) Gross Block	60,176	85,551	87,516	88,559	95,847	93,576	95,877
	Less: Accumulated Depreciation	21,200	24,644	28,976	33,273	37,805	36,634	41,191
	Net Block	**38,976**	**60,907**	**58,540**	**55,286**	**58,042**	**56,942**	**54,686**
	Add: Capital Work in Progress	20,506	1,305	859	5,839	426	435	567
	Total	**59,482**	**62,212**	**59,399**	**61,125**	**58,468**	**57,377**	**55,253**
B.	**Investments (Unquoted)**	**697**	**741**	**1,091**	**1,121**	**885**	**1,645**	**1,567**
C.	**Current Assets, Loans and Advances**							
	Inventories	6,834	7,780	8,726	6,998	9,788	9,181	10,301
	Sundry Debtors	3,850	4,286	3,631	3,210	2,981	3,065	5,939
	Cash and Bank Balances	3,958	3,874	3,500	2,340	211	885	239
	Loans and Advances	7,757	6,048	5,029	4,842	5,645	4,709	4,924
	Total	**22,399**	**21,988**	**20,886**	**17,390**	**18,625**	**17,840**	**21,403**
D.	**Liabilities and Provisions**							
	Secured Loans	16,792	14,483	10,552	6,915	17,201	17,253	12,015
	Unsecured Loans	29,726	32,978	32,817	30,248	16,071	16,305	11,707
	Liability for Leased Assets	-	-	-	4,853	5,640	4,785	5,363
	Deferred Tax Liability	5,720	6,112	7,172	7,017	8,162	7,601	8,967
	Current Liabilities and Provisions	11,219	12,185	10,656	11,009	9,967	10,364	18,122
	Total	**63,457**	**65,758**	**61,197**	**60,042**	**57,041**	**56,308**	**56,174**
E.	**Net Worth (A+B+C-D)**	**19,121**	**19,183**	**20,179**	**19,594**	**20,937**	**20,554**	**22,049**
	Net Worth represented by							
F.	**Share Capital**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**	**2,490**
G.	**Reserves and Surplus**							
	Securities Premium Account	5,657	5,657	5,657	5,657	5,657	5,657	5,631
	Investment Allowance Reserve	725	-	-	-	-	-	-
	Reserve for Premium on Redemption of Convertible Bonds	-	-	508	-	-	-	-
	Debenture Redemption Reserve	2,751	3,533	2,983	1,848	1,100	1,848	1,100
	General Reserve	3,398	3,015	3,315	199	4,199	199	2,059
	Balance as per Profit and Loss Account	4,876	5,204	5,794	9,748	7,707	10,672	10,891
	Total	**17,407**	**17,409**	**18,257**	**17,452**	**18,663**	**18,376**	**19,681**
H.	**Miscellaneous Expenditure to the extent not written off**	**776**	**716**	**568**	**348**	**216**	**312**	**122**
I.	**Net Worth (F+G-H)**	**19,121**	**19,183**	**20,179**	**19,594**	**20,937**	**20,554**	**22,049**

Notes:

1 (a) Fixed Assets includes Plant and Machinery taken on Finance Lease as under :

(Rs. million)

As at Gross Block	Accumulated	Depreciation	Net Block
December 31, 2002	4,913	195	4,718
March 31, 2003	6,823	260	6,563
December 31, 2003	6,827	531	6,296

(b) Capital Work in progress as on March 31, 2002 includes Plant and Machinery taken on finance lease Rs. 4,853 million.

(c) Execution of Lease Deed is pending in respect of leasehold land valuing Rs. 160 million as at December 31, 2003

(d) Conveyance is pending in respect of Buildings valuing Rs. 49 million as at December 31, 2003

2. The accompanying significant accounting policies and notes are an integral part of this statement.

Annexure III. DIVIDENDS

Dividends (subject to deduction of tax at source, where applicable) declared by Indian Petrochemicals Corporation Limited in respect of the five financial years ended March 31, 2003 and nine-month periods ended December 31, 2002 and December 31, 2003 are as follows:

(Rs. million)

	Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine-month period ended December 31, 2002	Nine-month period ended December 31, 2003
Equity Share Capital*	2,490	2,490	2,490	2,490	2,490	2,490	2,490
Rate of Dividend	10%	20%	30%	20%	22.50%	-	-
Amount of Dividend	248	496	745	496	559	-	-
Corporate Dividend Tax	27	109	76	-	71	-	-

* Includes forfeited shares - face value Rs. 8 million

Annexure IV. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON SUMMARY STATEMENTS

1. Significant Accounting Policies

A. Basis of Preparation of Summary Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and taking into consideration the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 and SEBI Guidelines, as amended.

B. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and the estimates are recognised in the period in which the results are known / materialised.

C. Own Fixed Assets

Fixed Assets are stated at cost net of modvat / cenvat, less accumulated depreciation. All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustment arising from exchange rate variations, attributable to the fixed assets are capitalised.

D. Leased Assets

a) Operating Leases : Rentals are expensed with reference to lease terms and other considerations.

b) (i) Finance Leases prior to April 1, 2001 : Rentals are expensed with reference to lease terms and other considerations.

(ii) Finance Leases on or after April 1, 2001:The lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as fixed assets with corresponding amount shown as lease liability. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to profit and loss account.

c) However, rentals referred to in (a) or (b)(i) above and the interest component referred to in (b) (ii) above pertaining to the period up to the date of commissioning of the assets are capitalised.

E. Depreciation

Depreciation on fixed assets is provided on straight line method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except: in respect of Plant and Machinery and Furniture and Fixtures at Baroda complex where depreciation is provided on written down value method (WDV) [Refer Note 2(c)]; in respect of assets, other than Plant and Machinery and Furniture and Fixtures at Baroda complex, acquired prior to April 1,1993 where depreciation is provided on SLM as prescribed under Section 205(2)(b) of the Companies Act, 1956; on additions or extensions forming an integral part of existing plant, including incremental cost arising on account of translation of foreign currency liabilities for acquisition of fixed assets and insurance spares, depreciation is provided as aforesaid over the residual life of the respective plants; premium on leasehold land is amortised over the period of lease; cost of jetty has been amortised over the period of agreement of right to use, provided however that the aggregate amount amortised to date is not less than the aggregate rebate availed by the Company; on assets acquired under finance lease on or after April 1, 2001 depreciation is provided over the lease term.

F. Foreign Currency Transactions

a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

b) Monetary items denominated in foreign currencies at the year/period end and not covered by foreign exchange contracts are translated at year/period end rates and those covered by forward exchange contracts are translated at the rate ruling on the date of the transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the contract.

c) Any income or expense on account of exchange difference either on settlement or on translations is recognised in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

G. Investments

Long Term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

H. Inventories

Items of inventories are measured at lower of cost or net realisable value. Cost of inventories comprises of cost of purchase, cost of conversion and other cost incurred in bringing them to their respective present location and condition. Cost of raw materials, process chemicals, stores and spares, packing materials, trading and other products is determined on weighted average basis. By-products are valued at net realisable value. Cost of work-in-progress and finished stock is determined on absorption costing method.

I. Turnover

Turnover includes sale of goods, services, excise duty and sales during trial run period; adjusted for discounts. For the purpose of Summary of Profit and Loss Account, as restated, net sales are stated net of excise duty.

J. Excise Duty

Excise Duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses.

K. Employees Retirement Benefits

Company's contribution to provident fund and family pension fund are charged to Profit and Loss Account. Gratuity and leave encashment benefit are charged to Profit and Loss Account on the basis of actuarial valuation.

L. Research and Development Expenses

Expenditure relating to capital items is debited to fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the year/period in which it is incurred.

M. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

N. Provision for Current and Deferred Tax

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable/virtual certainty that the asset will be realised in future.

O. Miscellaneous Expenditure

Miscellaneous Expenditure are amortised over a period of five years on a pro-rata basis.

P. Contingent Liabilities

These are disclosed by way of notes to the Balance Sheet. Provision is made in the accounts in respect of those contingencies which are likely to materialise into liabilities after the year end, till the finalization of accounts and have material effect on the position stated in the Balance Sheet.

NOTES TO SUMMARY STATEMENTS

2. Impact on account of changes in accounting policies and prior period adjustments

(Rs. million)

Parcitulars	Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine-month period ended December 31, 2002	Nine-month period ended December 31, 2003
Profit after tax as per audited statements of accounts (A)	**294**	**1,888**	**2,489**	**1,074**	**2,041**	**1,146**	**1,744**
Adjustment on account of changes in Accounting Policies and Prior Period items							
a) Salary and Wage Arrears	(346)	(346)	(346)	-	-	-	-
b) Retrospective revision in Raw Material Prices [Note 2(a)(ii) and (iii)]	(405)	-	-	-	-	-	-
c) Interest decapitalized/ depreciation thereon [Note 2(b)]	(536)	28	28	28	28	21	21
d) Extraordinary, non recurring and prior period items	(289)	(214)	816	(481)	567	-	84
e) Depreciation	(378)	(359)	(227)	(127)	(45)	(34)	-
f) Tax Provisions / Refunds [Note 2(c)]	-	3	11	(56)	-	-	-
Total of adjustments	**(1,954)**	**(888)**	**282**	**(636)**	**550**	**(13)**	**105**
Deferred Tax adjustments [Note 2(d)]	581	(392)	(1,060)	243	(750)	(209)	(805)
Total of adjustments net of tax impact (B)	**(1,373)**	**(1,280)**	**(778)**	**(393)**	**(200)**	**(222)**	**(700)**
Adjusted Profit / (Loss) (A+B)	**(1,079)**	**608**	**1,711**	**681**	**1,841**	**924**	**1,044**

Notes on Re-statement / Adjustments

a) (i) Consequent upon finalisation of wage settlement effective from January 1, 1997, the amount payable in respect of the period prior to April 1, 2001, amounting to Rs. 1,470 million was charged to the Profit and Loss Account in the year ended March 31, 2002 and matching amount was withdrawn from the General Reserve which was a matter of qualification.

(ii) Consequent upon retrospective price revision of one of the raw materials, the differential amount of Rs. 1,258 million relating to earlier years was charged to the Profit and Loss Account in the year ended March 31, 2000 and matching amount was withdrawn from General Reserve, which was a matter for qualification. As per the legal opinion, obtained by the Company, the said accounting treatment was in accordance with the provisions of the Companies Act, 1956 and the relevant accounting standards issued.

In view of the retrospective price revision as referred above, the supplier had demanded interest of Rs. 84 million from the date of raising of the invoice up to the date of payment which was disclosed as contingent liability since the same was not accepted though referred to in the report of the Comptroller and Auditor General of India. However, this being a matter of qualification, the Company has provided such interest in the respective years in the Summary of Profit and Loss Account, as restated and the same is included in Extraordinary, non recurring and prior period items in (d) above.

(iii) The matters of wage revision and increase in the price of raw material detailed in (i) and (ii) above, being matters of qualification, have been charged to the Summary of Profit and Loss Account, as re-stated in the respective years and the amount withdrawn from the General Reserve has been disclosed as an appropriation from the General Reserve in the year of withdrawal.

b) In line with the Accounting Policy followed by the Company, interest cost of Rs. 536 million on part of short term borrowings utilized temporarily for acquiring fixed assets was capitalised in the year ended March 31, 1999 which was in conformity with Accounting Standard 10, Clause 9, and also in line with the Accounting Standard 16 - "Borrowing Cost" issued in May 1999 by the Institute of Chartered Accountants of India ("ICAI"). However, this has been restated, as it was a matter of qualification by the statutory auditors in that year, by decapitalizing the said interest in the year ended March 31, 1999 and recomputing depreciation thereon in the subsequent years/periods.

c) The Company has changed the method of depreciation from straight line method to written down value (WDV) method, w.e.f. April 1, 2003 for Plant and Machinery and Furniture and Fixtures located at Baroda complex, to provide for earlier replacement on account of technological advancement/additional wear and tear. Consequent to the change in the basis of providing depreciation there is an additional charge of Rs. 2,140 million in respect of earlier years and an equivalent amount is withdrawn from the General reserve. In accordance with the requirement of AS 6 'Depreciation Accounting' issued by the ICAI, depreciation has been recomputed from the date of commissioning/purchase of these assets at WDV rates applicable to those years. Accordingly, depreciation on such assets, as recomputed, has been considered in the Summary of Profit and Loss Account, as restated in the respective years/periods.

d) The deferred tax liability as provided in the year ended March 31, 2002 was measured at Minimum Alternative Tax rates (MAT) and was a matter of qualification. However, in the accounts for the year ended March 31, 2003 the said shortfall was made good and accounted for.

Consequent to the mandatory adoption of Accounting Standard ("AS") 22 'Accounting for taxes on income' issued by ICAI, the Company has accounted for deferred tax for the year ended March 31, 2002. Further, deferred tax liability pertaining to the years prior to April 1, 2001 was adjusted to revenue reserves in accordance with the transitional provisions of AS 22. However, the deferred tax charge/credit is recognized in the years of origination in the Summary of Profit and Loss Account, as restated and the adjustment against general reserve has been treated as an appropriation in the year of withdrawal.

The tax rate applicable for the nine-month period ended December 31, 2003 has been considered to compute deferred tax impact including the adjustments for the earlier years.

e) Items of income and expenditure have been retrospectively adjusted in arriving at the profits of the years/periods to which they relate although the event triggering the income or expense occurred in the subsequent years, as per SEBI Guidelines.

f) Consequent to retrospective wage revision (Refer Note 2(a) (i) above), price increase of raw material (Refer Note 2 (a) (ii) above), change in depreciation method (Refer Note 2(c) above), computation of deferred tax liability retrospectively (Refer Note 2(d) above) and retrospective adjustments (Refer Note 2(e) above), an amount aggregating to Rs. 9,031 million being the cumulative effect up to March 31, 1998 has been disclosed as an appropriation from the surplus brought forward from that date.

3. Notes on Non Restatement / Adjustments

a) Consistent with the accounting policy, the Company had in the years ended March 31, 1999 and March 31, 2000 capitalised the process and technical know how fees amounting to Rs. 540 million and Rs. 570 million, respectively considering the same as an integral part of Plant and Machinery and provided depreciation accordingly. The statutory auditors considering this matter as highly technical, placed reliance on the accounting treatment consistently followed by the Company and referred the same in their report. The management represented that such process and technical know how acquired in those years forms integral part of the machinery and was correctly capitalized.

b) The Company, considering the Accounting Standard Interpretation issued by Institute of Chartered Accountants of India in the month of December 2002 regarding machinery spares, capitalised machinery spares which were in the nature of capital spares/insurance spares in the year ended March 31, 2003 and hence no adjustment is required to be made in this respect in the earlier years.

(Rs. million)

	Particulars	As at March 31, 1999	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at Dec 31, 2003
4.	**Contingent Liabilities not provided for**						
	(a) Claims against the Company not acknowledged as debts :						
	(i) Claims by Customs and Central Excise Demands Authorities against the Company under dispute	1,611	2,441	15	29	128	2,502
	(ii) Sales Tax Liability in respect of disputed cases	188	293	461	446	60	116
	(iii) Disputed Income Tax Liability in respect of matters - pending before Appellate authorities where the Company expects to succeed based on the same matters decided in favour of the Company in earlier years	-	-	1,111	1,110	1,099	894
	- pending in appeal - other matters	2,032	2,282	41	36	73	32
	(iv) Claims against the Company / disputed liabilities not acknowledged as debts	854	1,062	877	1,878	1,566	1,598
	(v) Bills discounted not matured	11	6	-	-	-	-
	(b) Guarantees :						
	(i) Guarantee given by the Company to ICICI Bank Ltd in connection with issue of non convertible debentures by Gujarat Chemical Port Terminal Company Limited "GCPTCL", a joint venture Company (See note below)	1,400	1,400	1,400	1,400	1,400	1,400
	(ii) Guarantee given to HDFC for loans granted to employees	748	727	698	649	578	495

Note:

In respect of the guarantee mentioned in (i) above, ICICI Bank has invoked the guarantee in January 2004, due to non-repayment of advances/interest by GCPTCL for an amount aggregating to Rs. 241 million. The Company / GCPTCL has contested the claim with ICICI Bank in the context of potential restructuring of GCPTCL and has requested for withdrawal of such invocation, which is awaited. The Company is hopeful of positive response and therefore no provision is considered necessary by the management.

5.	Estimated value of contracts on capital account, excluding capital advances, remaining to be executed and not provided for	3,085	683	861	687	682	566

6 Three business segments viz. Petrochemicals, Fibre and Others were identified as reportable business segments for the years 2001-02 and 2002-03. In the year 2003-04, based on reconsideration of dominant source and nature of risks and returns, the Company is considered to be a petrochemicals manufacturing company with all activities revolving around this business and accordingly has only one reportable segment. The internal organization/reporting and management structure supports such treatment. In view of general clarification issued by the ICAI for companies operating in a single segment, the disclosure requirement as per AS 17 'Segment reporting' are not applicable to the Company.

7 (a) Fixed assets taken on finance lease prior to April 1, 2001 amounts to Rs. 4,439 million and future obligations towards lease rentals under the lease agreements as on December 31, 2003 amount to Rs.3,150 million and are due as follows:

(Rs. million)

Within one year	853
Later than one year but not later than five years	2,272
Later than five years	25

(b) The minimum lease rentals outstanding as on December 31, 2003 in respect of assets acquired on finance lease after April 1, 2001 are as follows:

(Rs. million)

Due	Total Minimum Lease payments outstanding as at December 31, 2003	Future interest on Outstanding	Present value of Minimum Lease Payments
Within one year	1,064	751	313
Later than one year but not later than five years	3,862	2,654	1,208
Later than five years	6,796	2,954	3,842
Total	**11,722**	**6,359**	**5,363**

(c) General description of significant lease terms

(i) Lease rentals are charged on the basis of agreed terms.

(ii) Assets are taken on lease over a period of 8 to 15 years.

(d) Interest for the nine-month period ended December 31, 2003 includes Rs. 581 million towards finance charges on leased assets.

8. The Summary of Profit and Loss Account, as restated and Summary of Assets and Liabilities, as restated include Summary for the nine-month period ended December 31, 2003 with comparatives of December 31, 2002. However, in the notes on summary statements, the relevant information pertaining to December 31, 2003 only has been disclosed except in note no. 2.

9. Extraordinary, non recurring and prior period items of Rs. 1,442 million for the nine-month period ended December 31, 2003 is payment made to the employees during the period under Voluntary Retirement Scheme.

10. During the process of disinvestment of shares of the Company by the Government of India and consequential change in the management / control of the Company, a comprehensive review of assets and liabilities as on June 30, 2002 was undertaken by a firm of chartered accountants. While management believes that the necessary provisions have been made in the books of account, arising out of the aforesaid review, the management continues to review internally.

11. Related party transactions

As per Accounting Standard (AS-18) on Related party disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related party as defined in the Accounting Standard for the nine-month period ended December 31, 2003 are given below:

List of Related Parties with whom transactions have taken place and relationship:

Sr. No	Name of the Related Party	Relationship
1	Reliance Industries Limited	Associate Company
2	Gujarat Chemical Port Terminal Company Limited	Associate Company
3	Reliance Capital Limited	Associate Company
4	Reliance Petroinvestments Limited	Associate Company
5	Reliance Ventures Limited	Associate Company
6	Reliance General Insurance Company Limited	Associate Company
7	Indian Vaccines Corporation Limited	Associate Company
8	Shri S K Anand	Key Management Personnel

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

Transactions during the nine-month period ended December 31, 2003 with related parties:

(Rs. million)

Sr. No	Nature of Transaction	Associates	Key Management Personnel	Total
A	**Loans Taken** Taken during the period (Subscription to debentures, which were sold by related party subsequently)	4,522		4,522
	Balance as at December 31, 2003	-		-
B	**Investments**			
	Balance as at 1st April, 2003	885		885
	Balance as at December 31, 2003	885		885
C	**Sundry Creditors**			
	As at December 31, 2003	4,348		4,348
D	**Loans and Advances**			
	As at December 31, 2003	19		19
	Provison made there against	19		19
E	**Turnover**	3,169		3,169
F	Purchases - Raw materials, fuel etc.	10,058		10,058
	- Traded goods	11,947		11,947
G	**Expenditure**			
	Interest Paid	30		30
	Insurance Premium	15		15
	Payment to and provision for Directors	-	2	2
	Storage and Pipeline Charges	769		769
H	**Guarantees Issued** Financial Guarantees	1,400		1,400
I	**Material given on Loan**	30		30

12. Secured Loans

(Rs. million)

	Particulars	Note	As at March 31, 1999	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at Dec 31, 2003
(A)	**Non Convertible Debentures / Bonds**	1	9,207	6,282	5,182	4,500	6,380	4,502
(B)	Term Loans	2						
	1. Government of India Loan		1,396	1,094	790	487	-	-
	2. From Banks / Financial Institutions							
	(a) Foreign Currency Loans		2,574	2,205	1,886	1,480	4,047	6,549
	(b) Rupee Loans		58	39	16	-	5,500	700
	Interest accrued and due on Term Loans		22	28	-	-	30	1
(C)	**Working Capital Loans**	3						
	Rupee Loans from Banks		3,535	4,835	2,678	448	1,244	263
	Total		**16,792**	**14,483**	**10,552**	**6,915**	**17,201**	**12,015**

Notes: Details of security and terms in respect of loans outstanding as on December 31, 2003 are as under:

1 Debentures are secured as under:

a. Rs. 2,250 million are secured by way of first equitable mortgage in English form on all those pieces and parcels of lands admeasuring 2.04 acres situated at village Angadh, district Vadodara in the state of Gujarat together with all the structures thereon and all plant and machinery both present and future located at the Vadodara complex of the Company.

b. Rs. 2,252 million are secured by pari passu mortgage and charge on all those pieces and parcels of lands admeasuring 1 acre situated at village Angadh, district Vadodara in the state of Gujarat together with all the structures thereon and all plant and machinery both present and future located at the Vadodara and Gandhar complexes of the Company

c. Debentures referred to in (A) above consist of (1) 14.50% 'K' Series Debentures of Rs. 0.07 million each aggregating to Rs. 567 million are redeemable at par in 2 equal annual installments commencing from May 31, 2004. (2) 13.35% 'L' Series Debentures of Rs. 6.7 million each aggregating to Rs. 670 million are redeemable at par in 2 equal annual installments commencing from August 31, 2004. (3) 10.20% 'N' Series Debentures of Rs. 5 million each aggregating to Rs. 1,015 million are redeemable at par on July 25, 2004. (4) 9.90% 'S' Series Debentures of Rs. 1 million each aggregating to Rs. 1,150 million are redeemable at par on June 25, 2007. (5) 9.60% 'T' Series Debentures of Rs. 1 million each aggregating to Rs. 1,100 million are redeemable at par on July 12, 2007.

2 Term Loans are secured as under :

a. Foreign Currency Term Loan of Rs. 461 million referred to in (B)2 (a) above are secured by a mortgage on lease hold right in Land and Plant and Machinery at Nagothane in the state of Maharashtra.

b. Foreign Currency Term Loan referred to in (B)2 (a) of Rs. 1,499 million and Rupee Term Loan referred to in (B)2(b) to the extent of Rs. 700 million are secured by pari passu mortgage and charge on all those pieces and parcels of land admeasuring 1 acre situated at Village Angadh, district Vadodara in the state of Gujarat, together with all structures thereon and all Plant, Machinery and Equipments both present and future attached thereto and the Company's fixed assets of Vadodara and Gandhar complexes of the Company in the state of Gujarat.

c. Foreign currency term loan referred to in (B)2(a) of Rs. 4,589 million is secured by pari passu mortgage on fixed assets (other than leased assets and leased land of Vadodara and Gandhar complexes) of the Company.

3 Working capital loans from Banks referred to in (C) above of Rs.263 million are secured by hypothecation of stock of raw materials, stock-in-process, finished goods, stores, receivables and goods in transit.

13. Unsecured Loans

(Rs. million)

	Particulars	As at March 31, 1999	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at Dec 31, 2003
A.	LONG TERM LOANS						
	Non Convertible Debentures	200	3,350	2,050	3,880	-	-
	Foreign Currency Convertible Bonds	6,838	7,138	7,282	-	-	-
	From Banks / Financial Institutions						
	- Foreign Currency Loans	11,647	10,231	10,142	9,945	-	-
	- Rupee Loans	1,770	4,111	4,603	4,750	500	500
B.	SHORT TERM LOANS						
	Redeemable Bonds	-	-	-	1,750	-	-
	From Banks	5,240	3,886	6,030	7,560	14,253	10,614
C.	FIXED DEPOSITS						
	Fixed Deposits	3,926	4,171	2,710	2,363	1,318	593
	Interest accrued and due on above	105	91	-	-	-	-
		29,726	**32,978**	**32,817**	**30,248**	**16,071**	**11,707**

Notes: On Unsecured Loans outstanding as on December 31, 2003.

a All short term loans outstanding on each balance sheet date are repayable within one year from the respective balance sheet date

b Interest payable on short term loans from banks outstanding as on December 31, 2003 is in the range of 2.93% to 5.25%

c Fixed Deposits accepted from the shareholders/public and outstanding as on December 31, 2003 are for the period ranging from two to three years and carry interest rates from 9.25% to 15% depending on the period.

d Long Term Rupee Loan of Rs. 500 million was repayable in 20 equal quarterly installments of Rs.25 million each commencing from September 30, 2005 and carried an interest rate of 11.25%. Such loan, as per the revised terms mutually agreed subsequent to December 31, 2003, is now repayable over 28 quarterly installments of Rs 17.86 million each, commencing from June 30, 2003 and carries an interest at 8.75%, which has been accounted for.

14. For the purpose of Summary of Profit and Loss Account, as restated and Summary of Assets and Liabilities, as restated, items of Profit and Loss and Balance Sheet have been regrouped wherever necessary considering the requirement of SEBI guidelines.

OTHER FINANCIAL INFORMATION

ACCOUNTING RATIOS

Annexure A

Key ratios		Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine-months period ended Dec 31, 2002	Nine-months period ended Dec 31, 2003
Adjusted Profit/(Loss) (Rs. million)	A	(1,079)	608	1,711	681	1,841	924	1,044
Numbers of equity shares outstanding at the year end		248,223,792	248,224,892	248,225,522	248,225,622	248,225,622	248,225,622	248,225,622
Weighted Average Numbers of Equity Shares at the year end	B	248,222,547	248,224,342	248,225,207	248,225,572	248,225,622	248,225,622	248,225,622
Net Worth (Rs. million)	C	19,121	19,183	20,179	19,594	20,937	20,554	22,049
Accounting Ratios (Note 1)								
Earning per Share (Rs.)	A/B	(4.35)	2.45	6.90	2.74	7.42	3.72	4.21
Net Asset Value per Share (Rs.)	C/B	77.03	77.28	81.29	78.94	84.35	82.80	88.83
Return on Net worth (%)	A/C	(5.64)	3.17	8.48	3.48	8.79	4.50	4.73

Note: Ratios have been computed on the basis of adjusted profit/(loss) after tax for the respective years/ periods.

CAPITALISATION STATEMENT

Annexure B **(Rs. million)**

Particulars		Pre-Issue as at December 31, 2003	Post-Issue as at December 31, 2003
Short Term Debt		10,877	10,877
Long Term Debt	A	12,845	12,845
Total Debt		**23,722**	**23,722**
Share Holders Funds			
Share Capital		2,490	2,490
Reserve - Net of miscellaneous expenditure		19,559	19,559
Total Shareholders Funds	B	**22,049**	**22,049**
Long Term Debt / Total Shareholders' Funds	A/B	**0.58**	**0.58**

Notes:

1. The above have been computed on the basis of the restated summary statements of the Company.
2. The Government of India is selling its residual equity shares held in the Company and accordingly no money is received by the Company from this offer. Hence, there is no change in capitalization statement pre and post issue.

STATEMENT OF TAX SHELTERS

Annexure C **(Rs. million)**

		Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003
Profit before Tax as per audited accounts	A	**329**	**1,971**	**2,720**	**1,106**	**2,626**
Tax rate		35%	38.5%	39.55%	35.7%	36.75%
Tax on actual rate on Profits		115	759	1,076	395	965
Permanent Differences/Adjustments						
Expenses claimed deductible under Income Tax		-	(1,258)	-	(1,470)	-
Premium on Redemption of Debts		-	-	(43)	(991)	-
Sales tax incentives claimed as capital receipts		-	(116)	(468)	(463)	(386)
Other permanent differences/adjustments		6	13	7	34	15
Total Adjustments		**6**	**(1,361)**	**(504)**	**(2,890)**	**(371)**
Timing Differences						
Depreciation		(2,674)	(4,353)	(3,506)	(1,453)	(136)
Interest capitalised as per Books claimed as revenue in tax		(2,229)	(1,093)	-	-	-
Deferred Revenue Expenditure		43	63	129	165	(49)
Tax, Duties u/s 43B claimed on payment basis		(1)	3	115	75	95
On capital assets acquired on finance lease		-	-	-	-	(863)
Provision for doubtful debts disallowed		(2)	257	231	(15)	164
Technical know-how fees and scientific research expenditure - amortisation		(248)	(197)	(202)	(145)	(49)
Others		31	63	(12)	(13)	1
Total Timing Differences	C	**(5,080)**	**(5,257)**	**(3,245)**	**(1,386)**	**(837)**
Net Adjustments	B + C	**(5,074)**	**(6,618)**	**(3,749)**	**(4,276)**	**(1,208)**
Tax Savings thereon		(1,776)	(2,548)	(1,483)	(1,527)	(444)
Profit /(Loss) as per Income Tax	D=(A+B+C)	**(4,745)**	**(4,647)**	**(1,029)**	**(3,170)**	**1,418**
Brought forward losses adjusted	E	-	-	-	-	(1,418)
Taxable Income/(Loss)	D+E	**(4,745)**	**(4,647)**	**(1,029)**	**(3,170)**	**-**
Taxable Income (Book Profit) as per MAT		331	714	2,597	-	2,516
Tax as per Income Tax as returned / assessed		35	82	220	-	198
Carry Forward Unabsorbed Depreciation		(6,987)	(11,634)	(12,663)	(15,833)	(14,415)

Note:

1. The aforesaid tax shelter is worked out on the basis of profit as per audited accounts and is not based on profits as per the 'Summary of Profit and Loss account, as restated'
2. The permanent/timing differences have been computed considering the income tax returns filed by the Company for the respective years, assessments completed and in appeal.

DETAILS OF OTHER INCOME

Annexure D (Rs. million)

Particulars	Financial Year ended March 31, 1999	Financial Year ended March 31, 2000	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine -month period ended Dec 31, 2003	Nature of Income
Export Incentives	-	-	-	238	468	457	Recurring
Interest							
(a) On Loan to Employees	27	26	28	28	28	18	Recurring
(b) From Customers	111	129	85	54	36	28	Recurring
(c) On Deposits with Banks	158	108	211	395	8	5	Non - Recurring
(d) From Others	78	99	78	151	92	100	Non - Recurring
Recoveries from employees and others	36	39	43	41	38	15	Recurring
Lease Rent	9	9	21	-	-	-	Non - Recurring
Profit on sale of Investments	-	-	-	-	4	-	Non - Recurring
Profit on Sale of Fixed Assets (Net)	12	1	1	78	2	-	Non - Recurring
Sale of Scrap	79	157	283	138	40	43	Recurring
Miscellaneous Receipts	117	151	598	196	335	126	Recurring
Total	**627**	**719**	**1,348**	**1,319**	**1,051**	**792**	

Statement of Sundry debtors and Loans and advances as at December 31, 2003

SUNDRY DEBTORS AS ON DECEMBER 31, 2003

A Debts outstanding for a period exceeding six months: **(Rs. million)**

Unsecured - Considered Good	84	
- Considered Doubtful	878	
	962	
Less: Provision for Doubtful Debts	878	84

B Other Debts:

Unsecured - Considered Good		5,855
Total		5,939

No amount was outstanding as on December 31, 2003 from Promoters, Promoter Group or Group companies.

LOANS AND ADVANCES AS AT DECEMBER 31, 2003

Advances recoverable in cash or in kind or for value to be received: **(Rs. million)**

Secured - Considered Good	580	
Unsecured - Considered Good	3,745	
- Considered Doubtful	405	
	4,730	
Less : Provision for Doubtful Advances	405	**4,325**
Balance with Customs, Central Excise Authorities, etc.		599
Total	4,924	

The details of Loans and Advances outstanding as on December 31, 2003 from Promoters, Promoters Group and Group Companies are as under:

Advances to Indian Vaccines Corporation Limited, a Group company: Rs.19 million (fully provided for)

This page is not a part of the Auditors Report dated February 10, 2004 and forms part of the auditor's certificate issued on February 10 , 2004.

Cash Flow Statement prepared from the restated financial statements for the years ended March 31, 2001, March 31, 2002 and March 31, 2003 and nine-month periods ended December 31, 2002 and 2003:

(Rs. million)

A: CASH FLOW FROM OPERATING ACTIVITIES:	Financial Year ended March 31, 2001		Financial Year ended March 31, 2002		Financial Year ended March 31, 2003		Nine-month period ended Dec 31, 2002		Nine-month period ended Dec 31, 2003	
Net Profit, as restated before Tax		**2,991**		**526**		**3,176**		**1,628**		**1,869**
Adjusted for:										
Provision for Doubtful Debts / Advances	236		73		168		3		300	
(Profit) / Loss on Sale of Discarded Assets	(1)		(78)		(2)		(2)		4	
Profit / (Loss) on Sale of Investments	-		-		(4)		-		-	
Depreciation	4,356		4,343		4,560		3,389		3,487	
Deferred Revenue Expenses incurred	(174)		(160)		-		-		-	
Deferred Revenue Expenses written off	322		380		132		115		94	
Effect of Exchange Rate Change	(18)		(11)		(19)		-		-	
Provision for Diminution in value of Investments	-		20		-		-		-	
Interest / Other Income	(401)		(628)		(164)		(88)		(151)	
Interest Expenses	4,910		3,796		3,690		2,960		2,407	
		9,230		7,735		8,361		6,377		6,141
Operating Profit before Working Capital Changes		**12,221**		**8,261**		**11,537**		**8,005**		**8,010**
Adjusted for:										
Trade and Other Receivables	562		586		(867)		337		(2,672)	
Inventories	(946)		1,728		(2,790)		(1955)		(639)	
Trade Payables	(1,447)		745		(875)		100		9,270	
		(1,831)		3,059		(4,532)		(1,518)		5,959
Cash Generated from Operations		**10,390**		**11,320**		**7,005**		**6,487**		**13,969**
Taxes Paid		(255)		(346)		(269)		(129)		(60)
Net Cash from Operating Activities		**10,135**		**10,974**		**6,736**		**6,358**		**13,909**
B: CASH FLOW FROM INVESTING ACTIVITIES:										
Purchase of Fixed Assets		(1,008)		(5,967)		(2,315)		(22)		(144)
Sale of Fixed Assets		168		164		306		75		4
Purchase of Investments		(350)		(50)		(3,530)		(760)		(682)
Sale of Investments		-		-		3,771		236		-
Interest Income		401		628		164		88		148
Net Cash Used in Investing Activities		**(789)**		**(5,225)**		**(1,604)**		**(383)**		**(674)**

C:	CASH FLOW FROM FINANCING ACTIVITIES:	Financial Year ended March 31, 2001	Financial Year ended March 31, 2002	Financial Year ended March 31, 2003	Nine-month period ended Dec 31, 2002	Nine-month period ended Dec 31, 2002
	Premium on repayment of Foreign currency bonds/loans	(43)	(991)	-	-	(26)
	Proceeds from/(Repayment) of Long Term and Short Term Borrowings, net	(3,973)	(6,206)	(3,747)	(3,615)	(9,524)
	Dividends Paid	(561)	(741)	(497)	(493)	(565)
	Tax on Dividend Paid	(109)	(76)	-	-	(71)
	Increase/(Decrease) in liability for leased assets	-	4,853	787	(68)	(277)
	Interest Paid	(5,052)	(3,759)	(3,072)	(2,703)	(2,163)
	Financing Charges on Leased Assets	-	-	(732)	(551)	(581)
	Net Cash Used in Financing Activities	**(9,738)**	**(6,920)**	**(7,261)**	**(7,430)**	**(13,207)**
	Effect of exchange differences on cash and cash equivalents	**18**	**11**	**-**	**-**	**-**
	Net Increase / (Decrease) in Cash and Cash Equivalents	**(374)**	**(1,160)**	**(2,129)**	**(1,455)**	**28**
	Opening Balance of Cash and Cash Equivalents	3,874	3,500	2,340	2,340	211
	Closing Balance of Cash and Cash Equivalents	3,500	2,340	211	885	239
	Notes:					
	1. Cash and Cash Equivalents include:					
	(a) Cash and bank balances	3,482	2,329	211	885	239
	(b) Unrealised gain on foreign currency	18	11	-	-	-

2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activity.
3. The Cash Flow Statement has been prepared under the ‘Indirect Method’ as set out in Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
4. Liability contracted for leased assets and repayment thereof is classified as a part of financing activity and disclosed accordingly.
5. The previous years’/periods’ figures have been regrouped and reclassified, wherever necessary.

This cash flow statement is not part of the Auditors’ Report dated February 10, 2004 and forms a part of the Auditor’s certificate issued on February 10, 2004.

For the purposes of this Section the term 'Prospectus' refers to the Preliminary Sale Document

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of the Indian Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "US GAAP").

The following table summarizes significant measurement differences between US GAAP and Indian GAAP insofar as they affect financial information reported in this Prospectus.

The Company has not prepared financial statements in accordance with US GAAP. Accordingly, there can be no assurance that the table below is complete, or that the differences described would give rise to the most material differences between Indian GAAP and US GAAP. In addition, the Company cannot presently estimate the net effect of applying US GAAP on its results of operations or financial position.

The effect of such differences may be material for the net results and shareholders' equity prepared on the basis of US GAAP compared to Indian GAAP.

Various US GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between US GAAP and Indian GAAP.

Subject	Indian GAAP	US GAAP
Format and content of financial statements	Companies are required to present balance sheets, profit and loss accounts and, if listed or proposing a listing, cash flows for two years together with accounting policies, schedules and notes. Companies seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statute.	All companies are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosures in the notes to financial statements generally is far more extensive than under Indian GAAP. No specific format is mandated, generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.
Accounting treatment for changes in accounting policies	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of the standard has to be adjusted against reserves.	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement after extraordinary items. Pro-forma comparatives should be disclosed. There is a requirement to make retrospective adjustments for certain items.
Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group. Accordingly, there is no legal requirement to prepare consolidated financial statements. Investments in subsidiaries are accounted for at cost less an allowance for permanent	Under US GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent. Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting

Subject	Indian GAAP	US GAAP
	impairments. Current investments are carried at the lower of cost and fair value. Accounting Standard (AS21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent. For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered. Unlisted companies with subsidiaries will continue to have the option of not presenting consolidated financial statements.	stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented. Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of that entity. In such cases, the equity method of accounting applies. Entities where the minority shareholder has protective rights only are consolidated. For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under US GAAP, which may be treated as equity affiliates under Indian GAAP. In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.
Investments in associates or affiliates	The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and the same are accounted for in the same manner as other investments in the stand alone financial statements of a parent. Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investments as before.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account. This method is also followed for unconsolidated subsidiaries.

Subject	Indian GAAP	US GAAP
Interests in joint ventures	Investment in joint ventures is accounted for in the same manner as other investments in stand alone financial statements of the parent. Interests in jointly controlled entities of a venture should be recognized in its consolidated financial statements on a proportionate consolidation basis. Additionally, interests in jointly-controlled assets and jointly-controlled operations of a venture are required to be recognized in the separate financial statements and consequently in its consolidated financial statements. Unlisted companies that do not prepare consolidated financial statements could continue to report joint venture investments as before.	An incorporated joint venture is treated as a subsidiary or an affiliate, depending on the level of control of the joint venturer, and either consolidated or accounted for using the equity method, respectively.
Business combination	Business combinations are accounted for either as pooling of interests or as acquisitions. Accounting for business combinations as pooling of interests is permitted only on fulfilment of certain conditions. Non-fulfilment of one or more conditions results in the combination being accounted for as an acquisition using the ‘purchase method’ of accounting. Under the pooling of interest method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts after making changes for uniformity of accounting policies. Under the purchase method, assets and liabilities are recorded either at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities on the basis of their fair values at the date of acquisition.	The ‘Purchase method’ of accounting is required for all business combinations. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are “separable”, i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged. Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the next assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.
Goodwill	Goodwill arising on amalgamation is amortised to income on a systematic basis over its useful life, not exceeding five years unless a longer period can be justified. The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve.	APB Opinion No. 16 requires goodwill to be capitalised and amortized for purchase method acquisitions as the excess of the purchase price over the fair value of the net assets acquired. Goodwill must be amortized over its useful life, which may not exceed 40 years, but is generally shorter.

Subject	Indian GAAP	US GAAP
	Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment. For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized.	Negative goodwill is allocated as a pro rata reduction of long term assets, and if these are insufficient, the remainder is deferred and amortised systematically to income over the period of benefit. Under SFAS No. 142, effective for fiscal years beginning after December 15, 2001, goodwill arising on new acquisitions and any unamortized balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level.
Discontinuing/ discontinued operations	Assets are stated at lower of net book value and net realisable value. Provide for all foreseeable losses that are probable and measurable. Disclose on the face of the income statement the pre tax gain or loss from operations and from disposal of assets. Other disclosures include details about the discontinued operations, the business or geographical segment in which it is reported, the date or period in which discontinuance is expected to be completed and the assets, liabilities, revenues, expenses and cash flows attributable to the discontinued operation. Disclosures begin with the period in which the initial disclosure event occurs.	Accrue at measurement date for estimated operating loss in wind down period and on disposal. Carry assets at lower of carrying amount and net realisable value. Report discontinued operations as a separate line item on the face of the income statement (net of tax and below net income from continuing operations).
Impairment of assets	Applicable for accounting periods beginning from April 1, 2004 onwards. The standard required companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, that carrying amount of the asset should be reduced to its recoverable amount. That reduction is reported as an impairment loss.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.

Subject	Indian GAAP	US GAAP
Property, plant and equipment	Fixed assets are recorded at historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or a selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets.	Revaluations are not permitted.
Borrowing costs and interest capitalized	Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. The capitalization period begins when activities to ready the asset for use commence, and ends when the asset is ready for use. The capitalized interest is expensed over the estimated useful life of the asset as part of the depreciation charge. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost.	Interest cost is capitalized as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalization period begins when activities to ready the asset for use commence, and ends when the asset is ready for use. The capitalized interest is expensed over the estimated useful life of the asset as part of the depreciation charge. Foreign exchange gains or losses are not included in interest cost.
Issuance and redemption costs for borrowings	Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium Account. Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.	Debt issuance costs are treated as a deferred charge and amortized using the effective interest rate method over the life of the debt. Redemption premiums are accrued as a yield adjustment over the life of the debt.
Accounting for leases by lessees	According to AS19 on "Leases", leases are classified into finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of the asset lie with the lessor or the lessee. For finance leases, leased assets are capitalized and a corresponding liability of same amount to lessor is recorded. For operating leases, lease payments are recognized as an expense over the lease term.	US GAAP provides specific quantitative criteria in order to determine whether a lease is a capital (finance) or an operating lease. If any one of the following four criteria applies to a lease agreement, then the lease must be classified as a capital lease by the lessee: a) The lease transfers ownership of the leased assets to the lessee at the end of the lease term. b) The lease contains a bargain purchase option. c) The lease term is greater than or equal to 75% of the economic useful life of the leased asset. d) The present value of the minimum lease payments is greater than or equal to 90% of the fair value of the leased asset. A capital lease is accounted for by the lessee as the acquisition of an asset and the incurrence of a liability. Operating lease payments are generally recognized on a straight-line basis over the term of the lease

Subject	Indian GAAP	US GAAP
Investments in securities	Investments are classified as long-term or current. Current investments are readily realizable, not intended to be held for more than one year from the date of purchase and are carried at the lower of cost or fair market value. Unrealized losses are charged to the income statement; unrealized gains are not recorded. A long-term investment is an investment other than a current investment and is valued at cost, subject to a write-down for impairment on permanent diminution in value.	Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. Trading securities are marked to fair value, with the resulting unrealized gain or loss recognized currently in the income statement. Available-for-sale (AFS) securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity called 'Other Comprehensive Income' until realized, at which time the gain or loss is reported in income. Held-to-maturity (HTM) debt securities are carried at amortized cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realized losses.
Foreign exchange	AS11 "The Effects of Changes in Foreign Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement. Additionally, exchange	Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.

Subject	Indian GAAP	US GAAP
	differences arising in respect of liabilities for the acquisition of fixed assets are also recognized as income or expense in the year in which they arise. Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates.	
Deferred taxation	Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Under the transitional adjustment, the impact on Profit and Loss of the opening deferred tax asset or liability arising on first implementation of the accounting standard is to be set off against the opening balance lying to the credit of general reserves.	Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. For entities entitled to a tax holiday, the tax consequences of temporary differences that reverse after the tax holiday, and which give rise to a liability, are recognized
Deferred revenue expenditure / intangible assets	Deferred revenue expenditure includes revenue expenses that benefit more than one period such as pre-operative expenses, advertising costs, product development costs and the cost of voluntary terminations. Expenditure incurred from the date of incorporation to the date of commencement of commercial operations and directly attributable to fixed assets, is capitalized as part of the cost of the respective asset. AS26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting periods commencing on or after April 1, 2003, in respect of listed public companies. The standard specifies that intangible assets should be recognized if, and only if (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and (b) the cost of the asset can be measured reliably.	Costs in respect of any start up are expensed as incurred. Costs for advertising and product development are expensed as incurred. The cost of voluntary retirement schemes is expensed in the period in which employees accept the terms of the plan. **Research expenses are expensed when incurred.** Product development expenses are expensed when incurred, except for development expenses relating to software to be marketed or sold; which may be deferred and amortized after technological feasibility is proven.

Subject	Indian GAAP	US GAAP
	Intangible items, and internally generated intangible assets in the research phase, are to be expensed when incurred. Intangible assets arising from development should be recognized if the enterprise can clearly demonstrate technical feasibility, intention to complete, ability to use or sell the asset and to measure expenditure incurred and future economic benefits.	
Proposed dividend	Proposed dividends are recognised in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded when it is declared and notice has been given to shareholders.
Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
Retirement benefits	The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit cost method, with a stipulated method to determine assumptions.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.
Revenue recognition	In a transaction involving the sale of goods, revenue is recognized when significant risks and rewards of ownership are transferred and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.	Revenues involving the sales of goods are recognized when all the following four criteria have been met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. In addition, revenues may be recognized gross when the selling party is a principal to a transaction, which is based on an evaluation of the facts, including whether the party has pricing authority, inventory risk and credit risk.
Derivative financial instruments and hedging	The Guidance note on Accounting for Equity Index Options and Equity Stock Options and the guidance note on accounting for equity index futures are the pronouncements, which address the accounting for derivatives. Derivatives are generally recorded as off-balance sheet items with limited disclosures.	All derivatives are required to be recognised as assets or liabilities in the balance sheet and measured at fair value, with changes in fair value being recognized in earnings. The gain or loss on derivative financial instruments that are designated and effective as hedges are generally recognized in earnings in the same period as the corresponding loss or gain on the underlying transaction being hedged.

Subject	Indian GAAP	US GAAP
Off-balance sheet items	There is no specific guidance or the accounting and reporting for of-balance sheet items. Commitments and contingencies are required to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.
Contingent liabilities	Is a potential obligation whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. A present obligation that is not recognised because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. A contingent liability is disclosed unless the probability of outflows is remote.	US GAAP requires an accrual for a loss contingency if it is probable (defined as likely) that there is a present obligation resulting from a past event and an outflow of resources is probable.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Preliminary Sale Document) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Preliminary Sale Document, delivered to the Registrar of Companies, Gujarat located at Ahmedabad for filing and also the documents for inspection referred to hereunder, may be inspected at the Corporate Office of our Company situated at P.O Petrochemicals Township, Vadodara 391 345 (Gujarat), India from 10.00 a.m. to 12.00 noon from the date of this Preliminary Sale Document until the date of Bid Closing Date.

Material Contracts

1. Letter of appointment to Kotak Mahindra Capital Company Ltd, SBI Capital Markets Limited and JM Morgan Stanley Pvt. Limited from Government dated November 28, 2003 appointing them as BRLMs.
2. Memorandum of Understanding amongst Government, the Company and BRLM dated January 21, 2004.
3. Letter from Government appointing M/s Karvy Consultants Ltd dated January 21, 2004.
4. Letters from Government appointing the Escrow Collection Bankers and Bankers to the Offer bearing No. 7(2)/2004-MODI dated January 23, 2004.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation dated March 22, 1969.
3. Resolutions of the Board of Directors of the Company, passed on
   (i) January 21, 2004
   (ii) February 10, 2004
   (iii) February 11, 2004
4. Letters dated January 15, 2004, from Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals, authorizing the offer for sale.
5. The Report of the Auditors, M/s Deloitte Haskins and Sells, Chartered Accountants (a) dated January 21, 2004 and February 10, 2004, relating to the Company's restated financial statements, as delivered to the Board of Directors of the Company, the latter of which is included herein and (b) dated February 10, 2004 relating to their audits of the Company's financial statements for the nine months ended December 31, 2002 and 2003 and delivered to the Board of Directors.
6. Copies of the Annual Report for the year ended March 31, 1999, 2000, 2001, 2002 and 2003 of the Company including the Audit Reports of M/s Kantilal Patel & Co. and M/s Deloitte Haskins & Sells, Chartered Accountants, for those years.
7. A copy of the tax benefit report dated January 21, 2004 from our Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants.
8. Permissions of: (a) Auditors, Bankers to the Company and (b) Book Running Lead Managers, Legal Advisors, Registrar, Bankers to the Offer and Syndicate Member as referred to in their respective capacities.
9. General Power of Attorney executed by Directors of the Company in favour of person(s) for signing and making necessary changes to documents for this Offer.
10. Due Diligence Certificate dated January 23, 2004 to SEBI from, Kotak Mahindra Capital Company Limited, SBI Capital Markets Limited and JM Morgan Stanley Private Limited.
11. SEBI guidance letter dated February 7 ,2004 addressed to the Joint Secretary, Government of India.
12. Amendment Agreement between Government and RPiL dated January 15, 2004.

13. Letters to SEBI dated December 26, 2003 and January 8, 2004 from Ministry of Disinvestment, Government of India to SEBI.

14. Letter from SEBI to Ministry of Disinvestment, Government of India dated January 9, 2004 replying to the Government of India.

15. Approval from the RBI for transfer of shares in this Offer to Non Resident Indians, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial institutions, pursuant to its letter no. EC.CO.FID/ 6461 / 10.I.07.02.200(546)/2003-04 dated February 6, 2004.

16. Annual Reports of the group companies.

17. Approval from GoI, Ministry of Finance (Department of Economic Affairs) pursuant to its letter no. FC.II. 17(2004)/17(2004) dated January 28, 2004 for the transfer of equity shares in this Offer to eligible non-resident investors, NRIs and FIIs. In terms of the approval of GoI, OCBs have not been permitted to participate in the Offer.

18. Letter from SEBI to Ministry of Disinvestment, Government of India dated January 29, 2004.

19. Letter from the Ministry of Disinvestment to the BRLMs with copy to the Company dated February 6, 2004 bearing No. 7(41)/2003-MODI(Pt).

20. Letter from the Ministry of Disinvestment to the Company enclosing the letter addressed to the BRLMs dated February 6, 2004 bearing No. 7(41)/2003-MODI(Part).

21. Letter from The Stock Exchange, Mumbai (“the Exchange”) dated February 3, 2004.

22. Letter from the National Stock Exchange of India Limited bearing No. NSE/LIST/61588 dated February 4, 2004.

23. Due Diligence Certificate dated February 11, 2004 to the Government of India from, Kotak Mahindra Capital Company Limited, SBI Capital Markets Limited and JM Morgan Stanley Private Limited.

24. Permissions of the Directors of the Company and Deputy Company Secretary and Compliance Officer of the Company for inclusion of their names in this Preliminary Sale Document.

25. Letter from the Ministry of Disinvestment to the Department of Company Affairs dated February 7, 2004.

26. Letter from Ministry of Disinvestment authorising the Deputy Company Secretary and the Compliance Officer to handle investor complaints dated February 11, 2004.

27. Letter from the Department of Company Affairs, Ministry of Finance, Government of India to the Ministry of Disinvestment, Government of India and endorsed to the Company dated February 10, 2004 bearing No. (D.O. NO. 1/32/01-D. Cell).

SEBI in its letter dated January 29, 2004 has advised that, *"The relevant SEBI (DIP) Guidelines are applicable to an offer for sale by an unlisted company only. Thus the SEBI(DIP) Guidelines do not envisage a listed company facilitating one of the shareholders to dispose of his holdings through an offer for sale*". Further, SEBI in its letter dated February 7, 2004 has advised that, *"it may be specifically understood that the shares offered under this sale offer being already listed on the stock exchanges, the SEBI guidelines for public issues/offers are not applicable to this sale offer by the selling shareholder".* However, the Selling Shareholder has vide its letter dated February 6, 2004 addressed to the BRLMs and the Company stated that, *"Government would voluntarily adopt the SEBI DIP Guidelines particularly the guidelines for 100% Book Building process for IPCL PO. Further, the processes, procedures and practices, which are generally followed in the 100% book building process save deviations indicated in the subsequent paragraphs would be adopted for IPCL PO."* SEBI by its letters dated January 29, 2004 and February 7, 2004 has stated also that this *"Preliminary Sale Document does not constitute an offer document or prospectus in terms of the SEBI Guidelines"* and that the Preliminary Sale Document *"is not a document issued by or on behalf of the Company and the document may be filed with Registrar of Companies only if required."* Therefore, the following declaration/confirmation is being made voluntarily in the above context only :

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Preliminary Sale Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be.

CONFIRMATION

All the provisions of the Securities Contract (Regulation) Act, 1956 and the provisions of the Securities Contract Regulation Rules, 1957, as applicable, and the terms of the listing agreements have been complied with and continuous disclosures have been made thereunder.

SIGNED BY ALL THE DIRECTORS

Mukesh D. Ambani	*	G.S. Sandhu	
Anil D. Ambani	*	R. S. Lodha	*
Nikhil R. Meswani	*	Shailesh V. Haribhakti	*
Anand J. Jain	*	Lalit Bhasin	*
Kamal P. Nanavaty	*	Sandeep H. Junnarkar	*
Ramesh Inder Singh		S. K. Anand	*

* through their duly Constituted Attorney, Mr. K.Sethuraman

SIGNED BY THE SELLING SHAREHOLDER

Sd/-
Mr. G. S. Sandhu
Joint Secretary
Ministry of Chemicals and Fertilisers
Department of Chemicals and Petrochemicals;
(As authorised vide letter dated January 15, 2004)

Date: February 11, 2004

Place: New Delhi