

# Annual Report

1996-97

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CS		DEY	
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TRA		AC	
AGM		SHI	
YE			

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**ASSAM PETROCHEMICALS LIMITED**

***DIRECTORS :***

*(As on 10th September, 1999)*

- |   |   |
|---|---|
| 1. Shri Kiron Kumar Gogoi, Chairman           | } <i>Nominees of Assam Industrial Development Corporation Limited</i> |
| 2. Shri J. P. Meena, IAS                      |   |
| 3. Shri Jishnu Barua, IAS, Director-in-charge |   |
| 4. Shri M. C. Mahanta                         |   |
| 5. Shri R. K. Kapoor                          | -- <i>Nominee of Industrial Development Bank of India</i>             |
| 6. Shri Mrinal Baishya                        | -- <i>Nominee of United Bank of India</i>                             |
| 7. Shri D.N. Barua                            | } <i>Nominees of public and appointed in A G M.</i>                   |
| 8. Shri Dinesh Deka                           |   |
| 9. Shri Amulya Hash Goswami                   |   |

***BANKERS :***

United Bank of India  
State Bank of India  
UCO Bank

***REGISTERED OFFICE :***

Lamb Road  
Ambari  
Guwahati- 781 001

***FACTORY :***

Namrup  
P.O. Parbatpur,  
Dist. Dibrugarh  
Pin- 786 623.

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## ASSAM PETROCHEMICALS LIMITED

REGD. OFFICE : LAMB ROAD, AMBARI  
GUWAHATI - 781 001

### **NOTICE**

Notice is hereby given that the Adjourned Twenty Sixth Annual General Meeting of the company will be held at the Registered Office of the company at Lamb Road, Ambari, Guwahati- 781 001 on Friday, the 29th Oct, 1999 at 2.00 p.m. for transacting the following business :

1. To receive, consider and adopt the audited Profit and Loss Account of the company for the year ended 31 st March, 1997 and the Balance Sheet as at that date, together with the Directors' Report, the Statutory Auditors' Report and the comments of Comptroller and Auditor General thereon.

By order of the Board

(Jishnu Barua)  
Director-in-charge

Guwahati,  
Dated 10th September, 1999

#### **Notes :-**

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member. The proxy to be effective must be deposited at the Registered Office of the company not later than 48 hours. before the time appointed for the meeting.
2. Members desiring to seek any information on the annual accounts are requested to write to the company at an early date to enable compilation of information.
3. Members are requested to bring their copies of the Report and Accounts to the meeting.



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## DIRECTORS' REPORT

Your Directors have pleasure in presenting the **Twenty-Sixth Annual Report** together with the audited statement of accounts for the year ended 31st March, 1997.

### FINANCIAL RESULTS :

	1996-97 Rs. in lakhs	1995-96 Rs. in lakhs
Sales & Other Income	3342.99	4105.04
Gross Profit	807.45	1342.81
Less : Depreciation	242.08	228.42
Interest	26.33	60.23
Profit for the year before taxation	539.04	1054.16
Provision for taxation	220.82	571.67
Profit for the year after taxation	318.22	482.49
Balance brought forward from Previous year	334.99	1033.45
Adjustment of prior years	(+) 53.08	(+) 8.21
Provisions/Reserves no longer required	124.34	-
Amount available for appropriation	830.63	1524.15
This has been appropriated as under :		
Proposed Dividends		
Equity	-	136.80
Preference	4.36	4.36
Tax on Dividends	0.44	14.55
General Reserve	334.99	1033.45
Balance carried to Balance Sheet	490.84	334.99

On account of delay in the appointment of Statutory Auditors by the Central Government under section 619 of the Companies Act. 1956, your Directors regret that the accounts could not be laid before the members earlier.

The comments made by the Comptroller and Auditor General are annexed hereto as Annexure B. The management's replies to the comments of the Statutory Auditors are annexed as Annexure C. A statement on the review of accounts by the Accountant General is also attached as Annexure-D.

### OPERATIONS:

The year under review was the twenty first year of commercial production. The company produced 1816 M.T. metric tones of Methanol from Unit-I, 27,408 metric tones of Methanol from Unit-II and 10684 metric tones of Formalin. The capacity utilisation of the Formalin plant was 65% for both the current year and the previous year. The capacity utilization for Methanol was considerably lower as compared with the previous year, being only 26% for Unit I and 83% for Unit II. This was due to of non-availability on  $\text{CO}_2$ , leanness of natural gas, change of

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catalyst apart from other constraints like interruption in power supply from A.S.E.B. and preventive and unscheduled maintenance of vital equipments etc. Petrolite R-50 and Petrolite -M were not manufactured during the year due to high cost of production and low market demand.

The sales of the products was commensurate to production and the gross turnover for the year was Rs. 33,02,00,565.

**DIVIDEND**

The fall in the prices of the products of the Company as a result of increasing competition has had an adverse impact in its liquidity position. Further, the Company is yet to received transport subsidy from the State Govt. amounting to Rs. 3,38 crores for the period from 1989 to 1993. Considering the Company's cash position your Directors could not recommend dividend to Equity Shareholders for the Financial Year 1996-97. Provision for an amount of Rs. 4,35,908 by way of preference dividend in respect of the year under reference on 39,628 11% Redeemable Cumulative Preference shares held by AIDC Ltd. has been made. These preference shares were fully redeemed on 31.12.97 with cumulative dividend thereon.

**DIRECTORS**

After transacting all other business, the Annual General Meeting held on 26th September, 1997 was adjourned for adoption of accounts. The Board, immediately after the said meeting comprised of :

1. Shri Kiron Kumar Gogoi	Chairman
2. Shri Anil Kumar Sachan, I.A.S.	Director
3. Shri Jishnu Barua, I.A.S.	Director
4. Shri Mahesh Chandra Mahanta	Director
5. Shri Edamanal Srinivasan Jayaraman	Director
6. Shri Mrinal Baishya	Director
7. Shri Digendra Nath Barua	Director
8. Shri Amulya Hash Goswami	Director
9. Shri Dinesh Deka	Director
10. Shri Rabindra Nath Hazarika	Managing Director

**AUDITORS:**

M/s A. K. Bhattacharjee & Co. were appointed as the Statutory Auditors for the year 1996-97.

**INDUSTRIAL RELATIONS:**

Industrial relations between the company and the employees remained cordial during the year.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The additional information in respect of energy conservation, technology absorption and foreign exchange earnings and outgo, as required by the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988 is set out in the statement annexed hereto as annexure 'A'.

**ACKNOWLEDGEMENT:**

Your Directors place on record their appreciation of the unstinted support and encouragement extended by Assam Industrial Development Corporation Limited, the State Government and the various lending institutions and banks.

Guwahati  
Dated : 10th Sept., 1999

Chairman

By order of the Board

Director-in-charge



## ANNEXURE - 'A'

## Annexure to the Directors' Report (1996-97)

(Additional information in terms of notification GSR No. 1029 dated 31st December 1988 issued by the Department of Company Affairs.)

**A. CONSERVATION OF ENERGY :****a. Energy conservation measures taken :**

The process technologies adopted in the plants were energy efficient. The Company selected the most developed ICI Low Pressure Methanol technology and the Humphreys & Glasgow Reformation Process for manufacture of Methanol. The waste heat recovery has been done to produce steam required for the process, thereby preventing heat from being radiated to the atmosphere. Heat exchangers were well insulated to prevent heat loss. Cooling water used in heat exchangers was totally recycled to prevent pollution and loss. Steam condensates were recovered and recycled back from the Turbo generator. The plants were operated to the complete satisfaction of the Pollution Control Board of Assam.

**b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**

There was no such proposal in the year under review.

**c. Impact of the measures (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods :**

The specific consumption of electricity and fuel natural gas was well within the tolerance limit. The company had a pollution free environment.

**d. Total Energy consumption and energy consumption per unit of production :****A. Power and Fuel consumption**

	1996-97	1995-96
1. Electricity :		
(a) Purchased :		
Unit (MWH)	17863	18638
Total amount (Rs. Crore)	4.25	4.41
Rate/Unit (Rupees/KWH)	2.10	2.10
(b) Own Generation (MWH)	4060	4188
2. Coal	Not applicable	
3. Furnace Oil	Not applicable	
4. Others	Not applicable	

**B. Consumption per unit of production :**

	1996-97	1995-96
i) Electricity (KWH)		
Unit- I	2114	1877
Unit- II	605	590
ii) Natural Gas (NM <sup>3</sup> )		
Unit- I	1104	957
Unit- II	161	128

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**B. TECHNOLOGY ABSORPTION :****(e) Efforts made in technology absorption**

Research and development (R&amp;D).

1. Specific areas in which R &amp; D

Carried out by the Company :

2. Benefits derived as a result of the above R &amp; D :

3. Future plan of action :

4. Expenditure on R &amp; D :

Except in plant improvement of process and debottlenecking full time R&amp;D activities were not started.

Does not arise.

The Company will start R&amp;D activities shortly to identify future diversification.

Not applicable

**Technology absorption, adaptation and innovation :**

1) Efforts in brief, made towards technology absorption, adaptation and innovation :

The Company has been operating the plant supplied by the foreign supplier.

2) Benefits derived as a result of the above efforts. e.g. product improvement, cost reduction, product development, import substitution :

There was improvement in the quality of the product. The cost of production was reduced so also the problem of pollution.

3) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year). Following information may be furnished :

(a) Technology imported :

I.C.I. technology from U.K.

(b) Year of import :

1985-86

(c) Has technology been fully absorbed.:

The company could achieve 100% capacity utilisation with desired quality.

(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action :

Not applicable

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :****f) Activities relating to exports; initiatives taken to increase exports, development of new export market for products and services and export plans :****EXPORT SALES**

Export to Countries

Methanol - Nepal &amp; Bangladesh

Formalin - Nepal &amp; Bangladesh

**1995-96**

33.01 MT

56.15 MT

**1996-97**

Nil

12.00 MT

**g) Total foreign exchange used and earned :****Rupees in Lakh****1995-96**

nil

47.83

**1996-97**

nil

97.10

i) Earning in foreign exchange

ii) Foreign exchange outgo



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**(Annexure 'B')**

Annexure to Director's Report (1996-97)

**MANAGEMENT REPLIES ON THE COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ASSAM PETROCHEMICALS LTD. FOR THE YEAR ENDED 31ST MARCH, 1997.**

**C & AG'S COMMENTS****MANAGEMENT REPLIES****I. PROFIT AND LOSS ACCOUNT**

Net profit before tax : Rs. 539.03 lakh

Above is overstated by Rs. 9.81 lakh due to double accountal of closing stock of Formalin stock-in-progress with corresponding overstatement of inventories.

Action is being taken as suggested in the next year's accounts.

**2. BALANCE SHEET****i) Inventories (Schedule-7) : Rs. 535.98 lakh**

Above is overstated by Rs. 9.40 lakh being the differential value between cost of materials purchased and that at which charged to the capital job with corresponding understatement of Fixed Assets.

Stock of Building materials is being reconciled and necessary adjustment made in the subsequent year's accounts.

**ii) Reserve and Surplus (Schedule-2)**

Profit and Loss account (for the year) : Rs. 590.84 lakh

Above is overstated by Rs. 31.03 lakh being the amount transferred from Capital Redemption Reserve in contravention of Section 80 of the Companies Act. 1956.

Necessary accounting treatment is being given in the year 1997-98.

Sd/-  
Accountant General (Audit)

Sd/-  
(O. P. Tailor)  
General Manager (F&A)  
Assam Petrochemicals Ltd.

Sd/-  
Director-in-charge  
Assam Petrochemicals Ltd.





## Annexure 'C'

**ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS REPORT TO THE MEMBERS OF ASSAM PETRO-CHEMICALS LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997.**

*Pointwise Replies of Management to the Statutory Audit Observations and Qualifications made in Annexure-II of the Auditors Report to the Members on the Accounts for the year ended 31st March, 1997.*

**1. Unsecured Loan From Holding Company (Schedule-4) Rs. 458407/-**

The amount of Rs. 458407/- as shown in the books as payable to Assam Industrial Development Corporation Ltd. (AIDC) is less by Rs. 134051/- with the balance shown by AIDC. Pending receipt of details from AIDC no adjustment was made by the company for the above amount.

Account of the holding Company has been reconciled and final settlement as per Company's Books has been made after necessary recovery/adjustment during 1999-2000.

**2. Fixed Assets (SCHEDULE - 5) : Rs. 206503770/-**

An amount of Rs. 4667634/- shown in the books as addition to Building Residence (Unit-I) includes Rs. 843105/- which relates to difference of price between building materials purchased and building material issued to contractor. The above mentioned building material was utilised both for construction of factory building and residential building but price variation arise due to the reasons mentioned above was debited to Building Residence (Unit-I). The net effect on financial statement due to appropriate apportion of price variation of Rs. 843105/- between, Building Factory and Building residence and also the implication of depreciation on the above assets are not readily determinable.

Noted. Necessary rectification will be made in the Accounts of 1997-98.

**3. Inventories (Schedule-6) Rs. 53597895/-**

a) The inventories as per Price Stores Ledger were pending reconciliation with Stores Records hence the difference between the value of inventories shown in financial records and stores records, if any, were indeterminable.

The Company has started the job of Inventory Codification with the help of M/s National Productivity Council, Guwahati. This job is under progress. To avoid delay in Codification, stores reconciliation between price Stores ledger and Stores records has been suspended presently. On completion of Codification, necessary action for reconciliation will be taken up during 1999-2000.



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b) Stock of Raw Materials & Chemicals Rs. 6114375/-

The amount includes value of unusable, obsolete and unserviceable Catalysts, Chemicals, Pigments and other materials which are pending for ascertainment and write off.

The materials which are unusable, obsolete and unserviceable have been identified and written off with the due approval of Board in its 188th meeting held on 28.01.99 and charged to Profit & Loss Account in the year 1997-98.

c) Stock of Stores and Spares Rs. 35910764/-

The amount includes unusable and obsolete and unserviceable stores and spares purchased during the year 1976 to 1990 which in our opinion should be properly ascertained and written off after obtaining necessary approval. Moreover, it has been observed that many high value stores item was purchased without being consumed and despite of the fact that sufficient stocks were already available with the stores resulting in misutilization of working capital and loss of interest.

The items which have not moved for more than 10 years or become unusable/unserviceable have also been written off and accounting policy has been framed to this effect, from the year 1997-98.

d) Stock Building Materials Rs. 4045915/-

The value shown is being overstated by the differential amount between cost of material purchased and recoveries made from the contractors at a predetermined agreed rate, which has not been taken into account for capitalisation under proper head of fixed Assets/work-in-progress. No reconciliation of the building materials and the amount to be capitalised was prepared and accounted for. As this practice is going on for many years the amount appearing under this head has become unrepresentative in so far as there is no matching amount of stock.

Action has already been taken to reconcile these Accounts and necessary adjustments are made in subsequent year's Accounts. Out of total Rs. 40,45,915.00 as shown in Audit Report, a sum of Rs. 13,38,378.13 has been adjusted during the year 1997-98 vide J.E. No. 346, 394 and 541.

#### 4. Loans And Advances (Schedule-10) Rs. 124988799/-

a) Insurance Claim Receivable Rs. 2248256/-  
Insurance Claim receivable includes Premium Refund Receivable Rs. 21408/- and Recoverable Insurance Claims pending for settlement Rs. 2226848/-. Out of the premium Refund Receivable, Rs. 20635/-

Observation noted. Out of the total pending claims for Rs. 22,48,256.00, claims for Rs. 11,04,591.00 have been settled in subsequent years. For settlement of remaining claims continuous follow-up action is being taken.