



Annual Report 1998-99

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**ASSAM
PETROCHEMICALS
LIMITED**

DIRECTORS :

(As on 23rd December, 2000)

- | | |
|-------------------------------------|-------------------------------------------------------------------|
| 1. Shri Kiron Kumar Gogoi, Chairman |] -- Nominees of Assam Industrial Development Corporation Limited |
| 2. Shri Jishnu Barua, IAS | |
| 3. Shri P. K. Borthakur, IAS | |
| 4. Shri M. C. Mahanta | |
| 5. Shri R. K. Kapoor | -- Nominee of Industrial Development Bank of India |
| 6. Shri Mrinal Baishya | -- Nominee of United Bank of India |
| 7. Shri D.N. Barua |] -- Nominees of public and appointed in annual general meeting |
| 8. Shri Amulya Hash Goswami | |
| 9. Shri Dinesh Deka | |
| 10. Shri K. L. N. Rao | -- Managing Director |
| 11. Shri O. P. Tailor | -- Director (Finance) |

COMPANY SECRETARY :

Ruli Das Sen

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.

PRINTED AT :

Sigma Auto Printers
Guwahati-781 003.

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**ASSAM PETROCHEMICALS LIMITED**

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

NOTICE

Notice is hereby given that the adjourned twenty eighth annual general meeting of the company will be held at the registered office of the company at Lamb Road, Ambari, Guwahati- 781 001 on Tuesday, the 30th January, 2001 at 11. a.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, 1999 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

Guwahati,
Dated 23rd December, 2000


(Ruli Das Sen)
Company Secretary

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 Annual Report to the meeting.



DIRECTORS' REPORT

Your Directors have pleasure in presenting the **twenty-eighth Annual Report** together with the audited statement of accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :	1998-99 Rs. in lakhs	1997-98 Rs. in lakhs
Sales & Other Income	2817.44	3797.36
Gross Profit	354.76	974.21
Less : Depreciation	331.00	286.53
Interest	194.87	113.55
Profit for the year before taxation	(-) 171.11	574.13
Provision for taxation	(-) 15.04	173.02
Profit for the year after taxation	(-) 156.07	401.11
Balance brought forward from previous year	368.06	490.84
Adjustment of prior years	3.53	(+) 16.13
Provisions/Reserves no longer required	-	(-) 31.03
Amount available for appropriation	215.52	877.05
This has been appropriated as under :		
Proposed Dividends		
Equity	-	-
Preference	-	3.27
Tax on Dividends	-	14.88
General Reserve	215.52	490.84
Balance carried to Balance Sheet	-	368.06

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 and the management's replies thereto are annexed 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-third year of commercial production. The operational highlights during the year 1998-99 with comparative position in the previous year 1997-98 were as follows :

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PLANT	PRODUCTION (M.T.)	
	1998-99	1997-98
Methanol-I	nil	2277
Methanol-II	26333	30335
Formalin-I	286	8108
Formalin-II	16995	8335
Petrolite R-50	nil	nil
Petrolite-M	nil	nil
Liquid Carbondioxide	24	nil

	CAPACITY UTILIZATION	
	1998-99	1997-98
Methanol-I	nil	33%
Methanol-II	80%	92%
Formalin-I	2%	49%
Formalin-II	51.5%	50%

Production from Methanol Unit I was suspended since February, 1998 due to high cost of production. Methanol Unit II had to be run on lower load as there was a glut in the market resulting from import of cheaper Methanol. Lower capacity utilization as compared with 1997-98 could be attributed to power interruption, low natural gas pressure, high stock and reformer refractory repair job and resultant shutdown during the month of November. The overall performance of the plant was satisfactory.

Production from Formalin Unit I was kept suspended during the year due to low market demand. Capacity utilization of Formalin Unit II was lower as compared with 1997-98 due to low market demand resulting mainly from the closure of plywood factories in the northeastern region.

Due to lack of market demand for Petrolite R-50 and Petrolite-M, production from the plants continued to remain suspended.

The sales of the products were commensurate to production and the gross turnover for the year was Rs. 3540.59 lacs.

DIVIDEND

Although at the time of this report the financial position of the company has improved due to rise in the international price of Methanol, the company is yet to recover from the setback it suffered during the last two years. Further, the company will also be undergoing major maintenance work in Methanol Unit II by way of replacement of reformer tubes in the coming year, involving significant investment. Considering these factors, your Directors could not recommend dividend to the equity shareholders for the financial year 1998-99. Preference shares held by AIDC Ltd. were fully redeemed on 31.12.97 with cumulative dividend thereon.

DIRECTORS

After transacting all other business, the Annual General Meeting held on 10th



September, 1999 was adjourned for adoption of accounts. The Board, immediately after the said meeting comprised of :

1. Shri Kiron Kumar Gogoi	Chairman
2. Shri Jagdish Prasad Meena, I.A.S.	Director
3. Shri Jishnu Barua, I.A.S.	Director-in-charge
4. Shri Mahesh Chandra Mahanta	Director
5. Shri Raj Kumar Kapoor	Director
6. Shri Mrinal Baishya	Director
7. Shri Digendra Nath Barua	Director
8. Shri Amulya Hash Goswami	Director
9. Shri Dinesh Deka	Director

AUDITORS :

M/s A. K. Bhattacharjee & Co. were appointed as the Statutory Auditors for the year 1998-99.

INDUSTRIAL RELATIONS :

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

PARTICULARS OF EMPLOYEES:

None of the employees of the company received remuneration requiring disclosure of particulars under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

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.

By order of the Board

Guwahati
Dated : 23rd December, 2000


Chairman


Managing Director



ANNEXURE- 'A'

Annexure to the Directors' Report (1998-99)

(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 & Derivados Forestales, Netherland's technology for manufacture of Formaldehyde. 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 :

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**

	1998-99	1997-98
1. Electricity :		
(a) Purchased :		
Unit (MWH)	13961	19146
Total amount (Rs. Crore)	3.92	4.52
Rate/Unit (Rupees/KWH)	2.10 (upto August '98)	2.10
	2.80 (Sept. '98 onwards)	
(b) Own Generation (MWH)	4098	4406
2. Coal		Not applicable
3. Furnace Oil		Not applicable
4. Others		Not applicable

B. Consumption per unit of production :

	1998-99	1997-98
i) Electricity (KWH)		
Unit- I	nil	1796
Unit- II	588	579
ii) Natural Gas (NM ³)		
Unit- I	nil	934
Unit- II	212	188

Production of Methanol- I is suspended since February, 1998.

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

Research and development (R&D).

1. Specific areas in which R & D carried out by the Company :
2. Benefits derived as a result of the above R & D :
3. Future plan of action :

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

Does not arise.

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

4. Expenditure on R & D :

Not applicable

- a) Capital
- b) Recurring
- c) Total

Not applicable

- d) Total R&D expenditure as a percentage of total turnover

Technology absorption, adaptation and innovation :

- 1) Efforts in brief, made towards technology absorption, adaptation and innovation :
- 2) Benefits derived as a result of the above efforts. e.g. product improvement, cost reduction, product development, import substitution etc.
- 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 :

APL has been operating the plant supplied by foreign supplier.

Product quality improved, cost of production and pollution problem reduced.

- (a) Technology imported :
- (b) Year of import :
- (c) Has technology been fully absorbed.:
- (d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action :

Derivados Forestales, Nederland.
1993-94

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

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

	<u>1997-98</u>	<u>1998-99</u>
Methanol -	382.27 MT	52.86 MT
Formalin -	143.35 MT	216.90 MT

- g) Total foreign exchange used and earned :

	<u>Rupees in Lakh</u>	
	<u>1997-98</u>	<u>1998-99</u>
i) Earning in foreign exchange	Nil	Nil
ii) Foreign exchange outgo	8.22	37.88

**(Annexure 'B')**

Annexure to Director's Report (1998-99)

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, 1999.

C & AG'S COMMENTS**MANAGEMENT REPLIES****A. BALANCE SHEET**

Capital work in progress : Rs. 5.71 lakh

(i) Due to non-provision of Rs. 5.58 lakh being the expenditure incurred for preparation of feasibility report for 300 TPD Methanol Plant and Pentaerythritol Plant, the loss for the year remained understated with corresponding overstatement of capital work-in-progress.

Necessary accounting adjustment has been made in the financial year 2000-2001 as the accounts for the financial year 1999-2000 has already been adopted by the Board before receipt of C&AG's Comments.

(ii) Due to non-inclusion of Rs. 0.66 lakh already paid to, and Rs. 0.66 lakh payable to IMRB, Calcutta as on 31-03-99 towards cost of pre-investment study on Formaldehyde based down stream project, the capital work-in-progress was understated by Rs. 1.32 lakh. This has resulted in over-statement of advance to others by Rs. 0.66 lakh and over-statement of current liability to that extent.

Necessary accounting adjustment has been made in the accounts of 1999-2000 through J.E. No. 512 dated 31-3-2000.

(iii) Loan and advances

Capital Advances : Rs. 11.06 lakh

(a) Due to non-provision of Rs. 0.26 lakh being an amount of advance lying outstanding under the head "Advance to Contractor", Unit-II since 1980-90, capital advance remained overstated with corresponding understatement of loss for the year by Rs. 0.26 lakh.

Necessary adjustment is being passed in the accounts of 2000-2001.

(b) Advance to others : Rs. 21.10 lakh

Due to non-provision of Rs. 0.54 lakh being washing charges receivable under the head "Advance to others", the same remained overstated with corresponding understatement of loss for the year to that extent.

Necessary adjustment has been passed in the accounts of 1999-2000 vide J.E. No. 453 dated 31-3-2000 and 556 dated 31-3-2000.



(iv) Sundry Debtors Rs. 129.24 lakh

The above includes Rs. 74.03 lakh for which the company have no security. Thus, the head "Debt considered good and in respect of which the company is fully secured", remained overstated by Rs. 74.03 lakh.

This pertains to additional information below the schedule. As such, it has been corrected in the printed accounts as per comments.

(v) Fixed Assets : Net Block : Rs. 3078.97 lakh

A sum of Rs. 23.69 lakh incurred towards expenditure on grading and leveling the land in order to make it fit for construction of Building and installation of Plants remained excluded from the cost of construction resulting in the understatement of provision of depreciation.

Noted for taking necessary action in the Accounts of the financial year 2000-2001.

B. PROFIT AND LOSS ACCOUNT :**(-) Rs. 156.06 lakh**

(i) During the year the company had incurred a loss of Rs. 156.06 lakh whereas in the accounts it has shown as "Net Profit" as such depiction is misleading.

The figure has been indicated with negative sign being a loss and heading has been corrected in the printed accounts.

(ii) Due to incorrect adjustment of Rs. 1.37 lakh being Capital Investment Reserve written back, loss for the year has been overstated by Rs. 1.37 lakh with corresponding overstatement of 'prior period income'.

Since the reserve created by appropriating profit in the earlier year, has been written back below the line and not to the prior period income.

(iii) The net fixed assets remained unadjusted by Rs. 1.20 lakh with corresponding unadjustment of accumulated profit due to charging of depreciation on the destroyed plant from the date of fire till 31st March, 1999.

Necessary adjustment has been made in the accounts of 1999-2000 through J.E. No. 442 dated 31-3-2000.

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Sd/-
Accountant General (Audit)

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

Sd/-
K. L. N. Rao
Managing Director
Assam Petrochemicals Ltd.