

**DIRECTORS :***(As on 2nd September, 2002)*

- |                             |   |   |
|-----------------------------|---|---|
| 1. Shri H.K. Sharma, IAS    | ] | - Nominees of Assam Industrial Development Corporation Limited. |
| 2. Shri M.C. Mahanta        |   |   |
| 3. Shri R.C. Sehgal         |   | - Nominee of Industrial Development Bank of India               |
| 4. Shri Mrinal Baishya      |   | - Nominee of United Bank of India.                              |
| 5. Shri D.N. Barua          | ] | - Nominees of public appointed in annual general meeting.       |
| 6. Shri Amulya Hash Goswami |   |   |
| 7. Shri D. Gohain           |   |   |
| 8. Shri K.L.N. Rao          |   | - Managing Director   |
| 9. Shri O.P. Tailor         |   | - Director (Finance)  |

**AUDIT COMMITTEE :**

1. Shri D.N. Barua
2. Shri H.K. Sharma, IAS
3. Shri Amulya Hash Goswami

**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

# NOTICE

Notice is hereby given that the Thirty-first Annual General Meeting of the company will be held at the registered office of the company at Lamb Road, Ambari, Guwahati- 781 001 on Monday, the 30<sup>th</sup> day of September, 2002 at 11 a.m. to transact the following business :

## AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March , 2002 and Profit and Loss Account for the year ended on that date along with the Directors' Report, the Statutory Auditors' Report and the comments of the Comptroller and Auditor General thereon.
2. To consider and appoint a Director in place of Sri D.N. Barua, who retires by rotation, and being eligible offers himself for reappointment.
3. To consider and appoint a Director in place of Sri M.C. Mahanta, who retires by rotation, and being eligible offers himself for reappointment.
4. To fix remuneration of the Statutory Auditors.

By Order of the Board

Guwahati

Dated : 2nd September, 2002

Ruli Das Sen  
Company Secretary

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## Notes :

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote at the meeting in his/ her stead and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company at least 48 hours before the commencement of the meeting.
3. Shareholders are requested to bring their copy of the Annual Report.
4. Appointment/reappointment of Directors :

*Shri D.N. Barua retires by rotation at the ensuing annual general meeting and being eligible offers himself for reappointment. Shri D.N. Barua, the first Chemical Engineer of the north eastern region is a B. Ch. E (1951), BSc, MII. Chem E. Shri Barua has served in various capacities in the industry including as Managing Director, AIDC Ltd, President of the Guwahati Stock Exchange, Working President of FINER and Chairman, Fertilizer Association of India. At present he holds Directorships in various organizations including FINER and the Guwahati Stock Exchange. He is also Advisor to the Indian Institute of Chemical Engineers and a Member of the Advisory Council of Industrial Development Bank of India for the northeastern region.*

*Shri M.C. Mahanta retires by rotation at the ensuing annual general meeting and being eligible offers himself for reappointment. Shri M.C. Mahanta, a nominee of AIDC Ltd., is the Director, Institutional Finance, Department of Finance, Govt. of Assam. Shri Mahanta is a M. Sc. in Mathematics. He is a Nominee Director of the Govt. on the Boards of several public sector units, regional rural banks.*

5. The company being a Government Company, the Comptroller and Auditor General appoints the Statutory Auditors u/s 619 of the Companies Act. M/s Choudhury & Hazarika have accordingly been appointed as Statutory Auditors. However, as per section 224(8) (aa) of the Act as amended, their remuneration is to be fixed by the members in general meeting. The Audit Committee has approved an audit fee of Rs. 25, 000/- p.a. for the next five years, subject to the approval of the members in general meeting.
6. The Register of Members and the Share Transfer Books shall remain closed from 16<sup>th</sup> September, 2002 to 30<sup>th</sup> September, 2002 (both days inclusive).

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ● Industry structure and developments

During 2001-02, the methanol market was highly volatile. The international price of methanol started crashing from July and bottomed out in December - January at US \$95/- CNF. The recovery was slow and by end March it came upto \$145. The average methanol price for the year was \$134 against the previous year average \$195. All methanol manufacturers in India suffered losses due to the fall. The methanol manufacturers got together and are making efforts to apply to Government for imposing anti dumping duty on methanol imports.

In the current year, Natural Gas supply in the Indian west coast has been restricted to chemical industries and the western manufacturers are operating their plants at reduced capacities. Natural gas prices in USA have gone up again and some methanol is being diverted there and as per market indications MTBE has been given a fresh lease of life in USA for 2 more years, which maintains the demand for methanol. All these factors created positive market and methanol price went up to \$200 in July, 2002.

### ● Opportunities and threats

The Company has modernized the reformer in its methanol plant during 2001-02. The capacity utilization of the plant has improved gradually to 98% in March 2002. The company has taken advance measures for marketing the additional production and we are able to sell all that we produce. The Company is planning to take up debottlenecking in the coming year to get higher production. The Company is able to reduce the cost of production due to improved productivity.

The major threats are crashing of methanol prices in international markets and Global recession. The formaldehyde market is shrinking gradually and shifting to far off places due to environmental restrictions in North-East and East. The Government of India has withdrawn the North East subsidy from April 2002. There is also a thinking to link natural gas price to international oil prices which would spell doom for Natural Gas based industries and methanol manufacturers in particular.

### ● Segment wise or product wise performance

#### (A) Methanol :-

In the financial year 2001-2002, the company was

able to achieve only 65% capacity utilization of Methanol plant against 77% in the previous year. The main reason was delay in receiving reformer outlet pigtails from Germany and low capacity operation of reformer owing to precarious condition of the old tubes. The capacity utilization subsequent to modernization has gradually improved and we are operating the plant at more than 90% utilization.

#### (B) Formaldehyde :-

Performance on the formaldehyde production, which was improved from 54% capacity utilization to 64% in previous year, could be maintained at 62% in the current year, despite closure of several plywood industries in North Bengal due to environmental restrictions. Despite 49 days shutdown of methanol plant, all the customer needs were catered to without any disruption and customer confidence has been won.

### ● Outlook

With improved capacity utilization, the Company is able to achieve more market share in North Indian market for methanol. The consumer resistance to procurement from 3000 km away has been duly overcome with appointment of dealer network. The Company is also planning to create some stock points in North India for methanol as 75% of the sales is consumed in North Indian market.

### ● Risks and concerns

The shifting of markets is exerting a big burden on the margins of the Company. The Company has no option but to sell in North Indian markets for maximum utilization of its installed capacity. There is stiff competition in the North and the Company has to match the price of competitors who are close-by by bearing the huge cost of transportation. The Company is evaluating various modes of transportation, stock points etc to reduce cost of distribution.

However, despite several steps taken to reduce the cost of production and be globally competitive, the Company is prone to the Government policies. The management is pursuing with the Government to be more rational for the North East Industry.

### ● Internal control systems and their adequacy

The Company has an adequate internal control

system. The auditors have also found the system satisfactory as stated in their report (refer point x of Annexure 1 to the audit report).

- **Discussion on financial performance with respect to operational performance**

The financial and operational performance has been covered in the first part of the Directors' Report. During the year the company has raised fresh loans of Rs. 300 Lacs & made all due installment payment of loans and interest amounting to Rs. 427.50 Lacs (including Rs. 300 Lacs prepayment to IDBI) and Rs. 120.64 Lacs respectively.

- **Material developments in human resources/ IR front, including number of people employed**

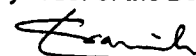
The Company has a huge manpower for its limited turnover. The Company is preparing the blue print for reduction of manpower in phases. In the first phase the manpower would be reduced from 530 to 450 in three years time. The Company has been operating for 31 years and the senior management personnel are due for superannuation. The Company is also proposing to induct young professionals to grow with the future needs of the Company.

The Company is also engaged in the wage revision exercise for the employees which is pending since April 1999. A proposal has been submitted to the Government of Assam for approval.

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Guwahati  
Dated : 2<sup>nd</sup> September, 2002

By order of the Board



Managing Director

**CORPORATE GOVERNANCE DISCLOSURE****1. Philosophy on Corporate Governance :**

APL aspires to attain the highest levels of accountability and transparency in every aspect and in all interactions with its stakeholders including the shareholders & state government and also with its employees. The company aims at serving the underlying goal of enhancing overall shareholder value over a sustained period of time.

**2. Board of Directors :**

The Board of Directors comprises of 9 Directors. The attendance particulars of the Directors during 2001-2002 are as below :

Category	Name of Directors	Attendance Particulars	
		Board Meetings	Last AGM
Promoter/Non-Executive Directors (Nominated by holding company AIDC Ltd.)	Shri H. K. Sharma, IAS	10	No
	Shri M. C. Mahanta	10	No
Institutional Nominees	Shri R. C. Sehgal (Nominee Director from IDBI) (w.e.f. 8 <sup>th</sup> October, 2001)	4	No
	Shri Mrinal Baishya (Nominee Director from UBI)	Nil	No
Independent Non-Executive Directors	Shri D. N. Barua	9	Yes
	Shri Amulya Hash Goswami	10	No
	Shri D. Gohain (w.e.f. 28 <sup>th</sup> December, 2001)	3	Yes
Whole-time Directors	Shri K. L. N. Rao, Managing Director	8	Yes
	Shri O. P. Tailor, Director (Finance)	9	Yes

**Number of Board Meetings held and dates on which held :**

10 Board Meetings were held during the year on the following dates : 25<sup>th</sup> April, 2001, 25<sup>th</sup> June, 2001, 25<sup>th</sup> July, 2001, 8<sup>th</sup> August, 2001, 15<sup>th</sup> October, 2001, 27<sup>th</sup> November, 2001, 19<sup>th</sup> December, 2001, 28<sup>th</sup> January, 2002, 15<sup>th</sup> February, 2002 and 22<sup>nd</sup> March, 2002.

The maximum time gap between two Board Meetings did not exceed three months.

**Details of remuneration paid to all Directors for the year :**

The value of salary and perquisites paid for the year ended 31<sup>st</sup> March, 2002 to Whole-time-Directors is as follows :

	Shri K. L. N. Rao (Rs.)	Shri O. P. Tailor (Rs.)
Salary	3,25,537	2,31,715
Ex-gratia	2,500	2,500
Leave Travel Concession	47,651	23,000
Medical Exp.	1,803	3,534
Personal Accident	525	0
Entertainment Exp.	7,500	276

Besides the above, the Whole-time-Directors were also entitled to Company's contribution to Provident Fund as per the rules of the company.



Sitting fee @ Rs. 500/- is paid to all non-executive Directors, except institutional Directors (nominees from AIDC Ltd., IDBI and UBI). The sitting fees paid during the year to the Directors is as follows :

Shri D. N. Barua	:	Rs. 9,500/-
Shri Amulya Hash Goswami	:	Rs. 7,500/-
Shri Dinesh Deka	:	Rs. 2,500/-
Shri D. Gohain	:	Rs. 2,000/-

### 3. Audit Committee :

An Audit Committee comprising of the following members, was constituted by the Board in its meeting dated 25<sup>th</sup> April, 2001 :

- i) Shri D. N. Barua, Chairman
- ii) Shri H. K. Sharma, IAS, Director
- iii) Shri Amulya Hash Goswami, Director

Three meetings of the committee were held during 2001-2002.

### 4. Shareholders' Grievance Committee :

The Shareholders' Grievance Committee comprises of two non-executive independent Directors and the Managing Director as follows :

- i) Shri D. N. Barua, Chairman
- ii) Shri Amulya Hash Goswami, Director
- iii) Shri K. L. N. Rao, Managing Director

The Committee oversees and approves all matters relating to share transfers and redressal of shareholders' grievances. Mrs. Ruli Das Sen, Company Secretary is the Compliance Officer as per clause - 47 of the listing agreement with the stock exchange. No share transfers are pending as on date.

### 5. General Body Meetings :

The last three general meetings were held at the registered office of the company on the following dates :

30 <sup>th</sup> Annual General Meeting	:	28 <sup>th</sup> December, 2001
Adjourned 29 <sup>th</sup> Annual General Meeting	:	12 <sup>th</sup> July, 2001
Adjourned 28 <sup>th</sup> Annual General Meeting	:	30 <sup>th</sup> January, 2001

Three special resolutions were adopted in the 29<sup>th</sup> Annual General Meeting in connection with the following special business :

- \* Alteration of article 128 of the articles of association;
- \* Appointment of Sri K. L. N. Rao as Managing Director;
- \* Appointment of Sri O. P. Tailor as Director (Finance).

The system of postal ballot has not been used so far.

### 6. a. Disclosure on materially significant related party transactions.

None.

### b. Details of non-compliance by the Company, penalties, strictures imposed by the Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

None

**7. Means of communication :**

The quarterly unaudited financial results of the company are published in the Dainik Asom, Guwahati and Economic Times, Kolkata issues. The Management Discussion and Analysis Report forms part of the annual report. The company also recently launched its website.

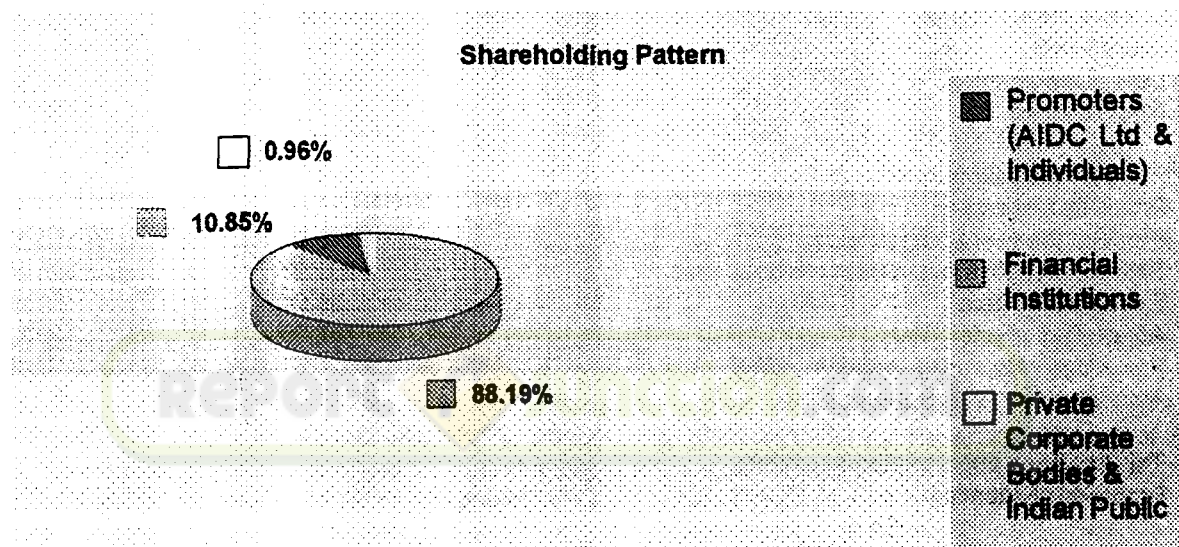
**8. General Shareholder Information :**

**Listing :** The shares of the company are listed in the stock exchanges at Guwahati, Mumbai and Kolkata. However, the shares have not been quoted during the last financial year.

**Calendar Year :** April to March.

**Share transfers** are done in-house. Subject to the documents being valid and complete, share transfers are processed and share certificates returned within 15 to 20 days of receipt.

**Distribution of shareholding as on 31st March, 2002**

**Locations :****Factory/Head Office :**

P.O. Parbatpur, Namrup  
District Dibrugath - 786 623  
E-Mail : nrapl@sancharnet.in

**Registered Office :**

Lamb Road, Ambari  
Guwahati- 781 001  
E-Mail : aplghy2@sancharnet.in

**Branch Offices :**

**Kamalaya Centre**  
Room No. F-28 (1<sup>st</sup> Floor)  
156A, Lenin Sarani  
Kolkata - 700 013  
E Mail : aplkol@vsnl.net

Flat No 3C  
Kalyani Apartments  
Sevak Road,  
Siliguri

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the thirty-first Annual Report together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2002.

### FINANCIAL RESULTS :

	2000-2001 (Rs. in lac)	2001-2002 (Rs. in lac)
Sales & other income	3751.89	2715.84
Gross Profit	806.63	84.80
Less : Depreciation	320.31	326.08
Interest	137.58	122.62
Profit for the year before taxation	348.74	(-)263.90
Provision for taxation	33.00	0.00
Profit for the year after taxation	315.74	(-)263.90
Balance brought forward from previous year	1909.93	290.47
Extraordinary item	36.54	60.20
Adjustment of prior years	(-)2.89	(-)8.33
Provisions/reserves no longer required	1.37	4.43
Amount available for appropriation	2260.69	82.86
This has been appropriated as under:		
Proposed dividends:		
Equity	54.72	0.00
Preference	0	0.00
Tax on dividends	5.58	0.00
General Reserve	1909.93	0.00
Balance carried to Balance Sheet	290.46	82.86

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.

In view of the better performance in 2000-01 and good liquidity of the Company, the Company has prepaid a loan of Rs. 300 lakhs taken from IDBI at a high interest rate. The Company has taken a fresh loan of Rs. 300 lakhs for the reformer retubing and allied jobs. The outstanding liability on term loans as on 31-03-2002 is Rs. 4.85 crores.

### OPERATIONS :

The year under review was the twenty-fifth year of commercial production. The operational highlights during the year 2001-02 with comparative position in the previous year 2000-01 were as follows:



PLANT	PRODUCTION (MT.)	
	2000-2001	2001-2002
Methanol- I	Nil	Nil
Methanol - II	25401	21448
Formalin - I	Nil	Nil
Formalin- II	21077	20489
Petrolite R-50	Nil	Nil
Petrolite -M	Nil	Nil
Liquid Carbon -di-oxide	20.34	14.099

	CAPACITY UTILIZATION	
	2000-2001	2001-2002
Methanol- I	Nil	Nil
Methanol - II	77%	65%
Formalin - I	Nil	Nil
Formalin- II	64%	62%

Production from Methanol Unit I was suspended yearlong due to high cost of production. Capacity utilization of Methanol Unit II was 65% against 77% for the previous year. The Reformer Tubes were changed to Microballoy tubes. Catalyst was changed for reforming, synthesis & desulphuriser. The Reformer was completely revamped along with finned tube cleaning of vital heat exchangers. The plant was, thereafter, successfully operated at 100% load. Production loss was 4970 MT due to reformer retubing shutdown, 447 MT due to power interruption and 135 MT due to non-availability of TG power.

Production from Formalin Unit I was kept suspended during the year due to low market demand. Capacity utilization of Formalin Unit II was 62% in comparison with 64% in the year 2000-2001. Due to low market demand stemming mainly from the closure of plywood factories in the northeastern region, the Company had to explore market outside the state, resulting in such low capacity utilization.

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

The production of Liquid Carbon-di-oxide produced on need basis as per market demand was only 14.099 MT during the year.

#### SALES :

The Company despite a long shut down of methanol plant has been able to maintain uninterrupted supply of methanol to dedicated customers and formalin to all customers. This has brought in good customer response and would translate to better sales in coming years.

The highlights of sales in the year 2001-02 with comparative figures in 2000-01 were as follows:

AREA	FORMALIN (MT)	
	2000-2001	2001-2002
North Eastern Region	2763.84	2208.41
Bhutan	1327.54	1235.86
North Bengal	3003.93	3190.21
South Bengal	3396.32	2894.16
Purnea	3442.09	3443.62
Patna	5747.24	5584.68
Orissa/Madhya Pradesh/South Bihar	360.85	956.39
Nepal/Bangladesh	836.08	1056.64
<b>Total</b>	<b>20877.89</b>	<b>20569.97</b>
<b>METHANOL (MT)</b>		
North Eastern Region	3337.11	1296.93
West Bengal & Bihar	2685.10	803.96
North India	6699.50	7588.88
South India	2056.84	1277.11
Export	462.74	284.13
<b>Total</b>	<b>15241.29</b>	<b>11251.01</b>

The sales of the products were commensurate to production and the gross turnover for the year was Rs.2718.04 lac.

#### PROJECTS AND DEVELOPMENT:

After retubing of the reformer, the methanol plant is operating at full load subject to the natural gas supply pressure and power interruptions. The Company is able to market the full production with most of the methanol sold in North Indian market. Encouraged by the market response, the Company is planning to go for debottlenecking of its methanol plant to manufacture 110 TPD with an investment of around Rs.360 lakhs. The Company is also reviewing various options to develop alternate modes of transport as the Company is now totally dependent on road transportation.

#### DIRECTORS :

Shri R.C. Sehgal was nominated by IDBI as Nominee Director w.e.f. 8<sup>th</sup> October, 2001 in place of Shri P.K. Biswas.

Shri N.G. Saha was nominated by UBI as Nominee Director w.e.f. 1<sup>st</sup> April, 2002 in place of Shri Mrinal Baishya.

Shri Amulya Hash Goswami was reappointed as Director in the last annual general meeting dated 28<sup>th</sup> December, 2001.

Shri D. Gohain was appointed as Director in the last annual general meeting dated 28<sup>th</sup> December, 2001 in place of Shri Dinesh Deka, who retired by rotation.

#### AUDITORS :

M/s Choudhury & Hazarika were appointed as the Statutory Auditors for the year 2001-2002.