



ASSAM PETROCHEMICALS LIMITED

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annual report 2002-2003

BOARD OF DIRECTORS

(As on 13th October, 2003)

Non-executive Chairman :	1. Shri Bhubaneswar Kalita	
Director-in-charge :	2. Shri H K Sharma, IAS	Nominees of Assam Industrial Development Corporation Limited
Directors :	3. Shri R L Duarah	
	4. Shri A K Bhuyan	
	5. Shri R C Sehgal	Nominee of Industrial Devl. Bank of India
	6. Shri N G Saha	Nominee of United Bank of India
	7. Shri D N Barua	
	8. Shri A H Goswami	Nominees of public appointed in annual general meeting
	9. Shri D Gohain	
Director (Finance) :	10. Shri O P Tailor	

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

COMPANY SECRETARY : Mrs. Ruli Das Sen

BANKERS : United Bank of India
State Bank of India
UCO Bank
ICICI Bank Ltd.

REGISTERED OFFICE : Lamb Road, Ambari, Guwahati
781 001 Assam

FACTORY : Namrup, P.O. Parbatpur-786 623
District : Dibrugarh, Assam

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NOTICE

Notice is hereby given that the Thirty-second Annual General Meeting of the company will be held at the registered office of the company at Lamb Road, Ambari, Guwahati-781001 on Tuesday, the 23rd day of December, 2003 at 11 a.m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 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 declare dividend as recommended by the Board.
3. To consider and appoint a Director in place of Shri H K Sharma, IAS, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri Dhireswar Gohain, who retires by rotation, and being eligible offers himself for reappointment.
5. To fix remuneration of the Statutory Auditors.

AS SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution :

"RESOLVED THAT pursuant to article 128 of the articles of association of the company, section 314 and other applicable provisions of the Companies Act, 1956 and subject to signing of an agreement with the company, approval of the members be and is hereby accorded to the reappointment of Shri O P Tailor, Director (Finance) of the company as Director not liable to retire by rotation on the Board of Directors of the company for a period of three years w.e.f 13th June, 2003 on the terms and conditions detailed below, which terms are hereby approved with liberty to the Board of Directors to vary the said terms and conditions as to appointment and remuneration in such manner as may be mutually agreed upon between the Board and the said Shri O P Tailor.

1. Designation : Director (Finance)
2. Tenure : 3 years w.e.f. 13.06.2003
3. Headquarters : Namrup
4. Salary : Existing basic of Rs.16,725/- in the scale of pay of Rs.10,800-20,675/- with all existing allowances.

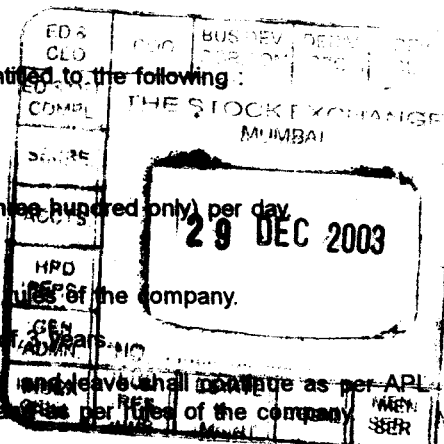
5. Travelling expenses and allowances :

Until such time as Shri Tailor remains as Director on the Board, he will be entitled to the following :

- a) Fare by air or air-conditioned class at actuals.
- b) Boarding and lodging hotel expenses at actuals.
- c) Out of pocket expenses subject to a maximum of Rs. 300/- (Rupees three hundred only) per day.
- d) Conveyance at actuals.

On ceasing to be a Director on the Board, Shri Tailor will be entitled as per rules of the company.

3. He shall not leave the services of the company for a minimum period of 3 years.
4. All other terms and conditions including DA, allowances, perquisites and leave shall continue as per APL appointment letter no. APL/Pers/Con-Adv/53/1797-01 dated 01.10.97 and shall be subject to the rules of the company.
5. Even after ceasing to be a Whole Time Director, he shall continue to earn Basic Pay and other existing allowances.



"RESOLVED FURTHER THAT the remuneration aforesaid and such other remuneration as may be agreed by the Board, be paid to Shri O P Tailor as minimum remuneration notwithstanding inadequacy or absence of profit in any financial year during the tenure of his appointment as a Director on the Board of Directors of the company."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Shri Bhubaneswar Kalita, Minister of Industries & Commerce, Govt. of Assam, who was appointed as an Additional Director & Chairman at the meeting of the Board of Directors of the company held on 13th October, 2003 and whose term expires at the Annual General Meeting of the company scheduled to be held on 23rd December, 2003, and for the appointment of whom the company has received a notice under section 257 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director & Chairman of the company whose period of office will be liable to determination by retirement by rotation."

8. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution :

"RESOLVED THAT pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded for payment of such perks as may be admissible as per Government guidelines to Shri Bhubaneswar Kalita, Chairman and thereby holding office or place of profit in the company with effect from 13th October, 2003, till the date of his holding office as Chairman."

9. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Shri A K Bhuyan, who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 23rd September, 2003 and whose term expires at the Annual General Meeting of the company scheduled to be held on 23rd December, 2003, and for the appointment of whom the company has received a notice under section 257 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the company whose period of office will be liable to determination by retirement by rotation."

By Order of the Board



(Ruli Das Sen)
Company Secretary

Guwahati
Dated : 13th Oct, 2003

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. The Explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of special business is annexed herewith.
3. All documents referred to in the accompanying notice and the Explanatory Statement are available for inspection at the registered office of the company during the normal working hours up to the date of the annual general meeting.
4. Proxies in order to be effective must be lodged with the company at least 48 hours before the commencement of the meeting.
5. Shareholders are requested to bring their copy of the Annual Report.
6. Appointment/reappointment of Directors :

Shri H K Sharma, IAS retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Shri H K Sharma is presently Managing Director of the holding company, Assam Industrial Development Corporation Ltd. He is a BE Engg (Electrical) & ME Engg (Industrial Engineering & Management). He is the Chairman of Asam Syntex Ltd., Assam State Weaving & Manufacturing Co. Ltd., Fertichem Ltd., Assam Methanol Ltd. and Prag Bosimi Synthetics Ltd. In addition, he holds Directorship in various companies including Cachar Sugar Mills Ltd, NEITCO, Assam Ashok Brahmaputra Corpn. Ltd, and Ashok Paper Mills.

Shri Dhireswar Gohain retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Shri Dhireswar Gohain is widely experienced in marketing of consumer products, fertilizers and industrial chemicals. Trained in all above fields of marketing in India and the USA, Shri Gohain had worked in the state Industries Department, Hindustan Lever Ltd. Fertilizer Corpn. of India Ltd. and Assam Petrochemicals Ltd. He headed the Marketing Department of APL for 15 years and retired as General Manager (Marketing).

Shri O P Tailor is a B. Com & an Associate Member of the Institute of Chartered Accountants of India. He joined the company as General Manager (Finance & Accounts) on 30.03.98. After superannuation of the then Managing Director I/C he was appointed as Site-in-charge w.e.f. 31.07.99 till appointment of a regular Managing Director on 23.06.2000. He has been serving the company as Director (Finance), a Director not liable to retire by rotation since 13.06.2000. Prior to joining APL, he has served in NEPA Limited, Napanagar (A Govt. of India Undertaking) where he rose from the rank of Asstt. Manager (F&A) in 1986 to that of Senior Manager (F&A) in 1996.

Shri Bhubaneswar Kalita is an MA, LLB and presently the Hon'ble Minister, Industries & Commerce Deptt & Public Enterprises Deptt. Government of Assam. He is a Member on the Boards of Tea Board, Central Silk Board, ESI corpn. National Shipping Board, Government of India. He is Chairman of the Railway Recruitment Board, N F Railways and Assam Tea corporation Ltd. He is also the Vice Chairman of Tea Board, India.

Shri A K Bhuyan is a graduate and an ACS officer of the Government of Assam. He is presently Deputy Secretary, Department of Industries, Government of Assam.

7. 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 in its meeting dated 24th July, 2001 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.
8. The Register of Members and the Share Transfer Books shall remain closed from Tuesday, 16th December, 2003 to Tuesday, 23rd December, 2003 (both days inclusive).

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Agenda Item 6 :

Shri Om Prakash Tailor joined the company as General Manager (Finance & Accounts) as on 30.03.98. After superannuation of the then Managing Director I/C he was appointed as Site-in-charge w.e.f. 31.07.99 till appointment of a regular Managing Director on 23.06.2000. The Board of Directors of the company in its 197th meeting dated 13.06.2000 appointed Shri Tailor as a Director not liable to retire by rotation, on the Board of Directors for a period of 3 years with immediate effect and also upgraded his then existing position to that of Director (Finance). The said appointment along with terms & conditions were duly approved by the members in general meeting dated 28th September, 2000.

As his term of office as Director was due to expire on 12.06.2003, the Board of Directors in its 228th meeting dated 10.06.2003 decided to reappoint Shri Tailor as Director not liable to retire by rotation for a further period of three years w.e.f. 13.06.2003, considering his satisfactory performance. The reappointment of Shri Tailor will be on the remuneration and subject to the terms and conditions set out in agenda 6 of the notice.

As per article 128 of the articles of association of the company, the appointment and terms and conditions thereof are, however, subject to approval of the members in general meeting. The matter is, therefore, placed before the members for approval. The Directors feel it would be in the interest of the company to reappoint Shri Tailor as a member of the Board and accordingly recommend his reappointment.

All related letters/documents in connection with the reappointment will be open for inspection by the members at the registered office of the company during the normal working hours up to the date of the annual general meeting.

None of the Directors, except Shri Om Prakash Tailor, is interested in the proposed resolution.

Agenda 7 :

Shri Bhubaneswar Kalita, Minister, Department of Industries & Commerce, Government of Assam, was appointed as Additional Director & Chairman of the company by the Board of Directors in its 231st meeting dated 13.10.2003 in pursuance of AIDC letter no. AIDC/SECY/APL/AD/330 dated 30.09.2003 and holds office up to the date of this annual general meeting, pursuant to section 260 of the Companies Act, 1956 and article 93 of the articles of association of the company. A notice under section 257 of the said Act has been received from AIDC Ltd, a member signifying its intention to propose the name of Shri Bhubaneswar Kalita for appointment as a Director of the company. Shri Bhubaneswar Kalita has filed with the company his consent to act as Director.

The Directors recommend his appointment as a member of the Board and also as Chairman thereof in the interest of the company.

All related letters/documents and Government guidelines/circulars on the subject will be open for inspection by the members at the registered office of the company during the normal working hours up to the date of the annual general meeting.

None of the Directors, except Shri Bhubaneswar Kalita, is interested in the proposed resolution.

Agenda Item 8 :

The Board in its 231st meeting dated 13.10.2003 had decided to pay Shri Bhubaneswar Kalita, Chairman such perks as admissible as per Government guidelines with effect from 13.10.2003 till such time as he continues as a part-time non-official Chairman on the Board of Directors of the company. The provisions of the Companies Act, 1956 especially section 314 requires the consent of the members by means of a special resolution for payment of perks to a Director and for his holding office or place of profit. Hence, the matter is placed before the members for approval.

The Directors recommend payment of perks to Shri Bhubaneswar Kalita as admissible as per Government guidelines.

All related letters/documents and Government guidelines/circulars on the subject will be open for inspection by the members at the registered office of the company during the normal working hours up to the date of the annual general meeting.

None of the Directors, except Shri Bhubaneswar Kalita, is interested in the proposed resolution.

Agenda Item 9 :

Shri A K Bhuyan, ACS, Deputy Secretary, Government of Assam, Department of Industries & Commerce was appointed as Additional Director of the company by the Board of Directors in its 230th meeting dated 23.09.2003 in pursuance of AIDC letter no. AIDC/SECY/APL/AD/3064 dated 19.09.2003 and holds office up to the date of this annual general meeting, pursuant to section 260 of the Companies Act, 1956 and article 93 of the articles of association of the company. A notice under section 257 of the said Act has been received from AIDC Ltd, a member signifying its intention to propose the name of Shri A K Bhuyan for appointment as a Director of the company. Shri A K Bhuyan has filed with the company his consent to act as Director.

The Directors recommend his appointment as a member of the Board in the interest of the company.

All related letters/documents in this connection will be open for inspection by the members at the registered office of the company during the normal working hours up to the date of the annual general meeting.

None of the Directors, except Shri A K Bhuyan, is interested in the proposed resolution. □

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

● Industry structure and developments.

The international market for Methanol was at its peak between December, 2002 to March, 2003 due to the Iraq war. The price of Methanol thereafter came down sharply and in four months time there was a decline of \$110 till the end of July, 2003

● 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 2003. Natural gas pressure has been low restricting the company's production to 90% in April, 2003. The replacement of gas pipeline by M/s AGCL is expected to be completed by April, 2004. Thereafter, the company is expected to get the required natural gas pressure.

The company has taken advance measures for marketing the additional production and has been able to sell all that is produced. The company is planning to take up debottlenecking in the current year to get higher production. From July, 2003 the company shall be able to reduce the cost of production after debottlenecking is completed.

Crashing of methanol prices in international markets and global recession are the two major threats to the company. 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 Northeast subsidy from April, 2002. Linking of natural gas price to international oil prices is also being considered, which would spell doom for Natural Gas based industries and Methanol manufactures in particular.

● Segment wise or product wise performance

(A) METHANOL :

In the financial year 2002-03, the company was able to achieve only 90% capacity utilization of Methanol plant against 65% in the previous year. The capacity utilization subsequent to modernization has gradually improved and we are operating the plant at more than 90% utilization.

(B) FORMALDEHYDE :

Performance in formaldehyde production, improved to 60% capacity utilization from 62% in the previous

year, despite closure of several plywood industries in North Bengal due to environmental restrictions. Despite 49 days shutdown of the 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 has been able to achieve more market share in North India for methanol. The consumer resistance to procurement from 3000 km away has been duly overcome with appointment of dealer network.

● 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.

However, despite several steps taken to reduce the cost of production and to 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.

● 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 450 in three years time. The Company is operating for 32 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.

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 and the 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 on the date of this report comprises of 10 Directors as the post of Managing Director is lying vacant since the expiry of term of office of Shri K L N Rao on 22nd June, 2003. Shri H K Sharma, IAS is holding charge as Director-in-charge till appointment of new Managing Director, which is under process with the state government. The attendance particulars of the Directors during 2002-2003 are as below :

CATEGORY	NAME OF DIRECTORS	ATTENDANCE PARTICULARS	
		Board Meetings	Last AGM
Promoter/Non-Executive Directors (Nominated by holding company AIDC Ltd.)	1. Shri H. K. Sharma, IAS	11	No
	2. Shri R L Duarah (w.e.f. 26th Dec., 2002)	05	No
Institutional Nominees	3. Shri R. C. Sehgal (Nominee Director from IDBI)	06	No
	4. Shri N G Saha (Nominee Director from UBI)	04	No
Independent Non-Executive Directors	5. Shri D N Barua	13	Yes
	6. Shri Amulya Hash Goswami	13	No
	7. Shri D Gohain	12	Yes
Whole-time-Directors	8. Shri K L N Rao, Managing Director	13	Yes
	9. Shri O P Tailor, Director (Finance)	13	Yes

Shri Bhubaneswar Kalita & Shri A K Bhuyan were subsequently inducted into the Board as Additional Directors as detailed in the Directors' Report.

Number of Board Meetings held and dates on which held :

13 Board Meetings were held during the year on the following dates : 24th April, 2002, 31st May, 2002 3rd July, 2002, 26th July, 2002, 9th August, 2002, 16th August, 2002, 2nd September, 2002, 22nd October, 2002, 26th December, 2002, 3rd January, 2003, 24th January, 2003, 26th February, 2003 and 12th March, 2003.

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 31st March, 2003 to Whole-time-Directors is as follows :

	Shri K.L.N. Rao (Rs.)	Shri O.P. Tailor (Rs.)
Salary	3,49,079	4,47,977*
Exgratia	25,000	6,000
Leave Travel Concession	51,762	0
Medical Exp	175	6,165
Personal Accident	525	0
Entertainment Exp	7,485	418

*Includes balance of arrear of pay since 1st April 1999.

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). The sitting fees paid during the year to the Directors is as follows :

Shri D N Barua	:	Rs. 16,000/-
Shri Amulya Hash Goswami	:	Rs. 10,500/-
Shri D Gohain	:	Rs. 12,500/-

3. Audit Committee :

An Audit Committee comprising of the following members, was constituted by the board in its meeting dated 25th April, 2001.

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

Four meetings of the committee were held during 2002-2003.

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 H K Sharma, IAS, Director-in-charge

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. 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 :

31st Annual General Meeting	:	30th September, 2002
30th Annual General Meeting	:	28th December, 2001
Adjourned 29th Annual General Meeting	:	12th July, 2001

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 Financial Express, Kolkata issues. The Management Discussion and Analysis Report forms part of the annual report.

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