



ASSAM PETROCHEMICALS LIMITED

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annual report 2003-2004

BOARD OF DIRECTORS*(As on 11th October, 2004)*

Non-executive Chairman :	1. Shri Bhubaneswar Kalita	}	Nominees of Assam Industrial Development Corporation Limited
Directors :	2. Shri Paramesh Dutta, IAS		
	3. Shri H. K. Sharma, IAS	}	Nominees of public appointed in annual general meeting
	4. Shri R L Duarah		
	5. Shri D N Barua	}	
	6. Shri A H Goswami		
	7. Shri D Gohain	}	
Managing Director :	8. Shri O P Tailor		

AUDIT COMMITTEE:	1. Shri D N Barua
	2. Shri Amulya Hash Goswami
	3. Shri O. P. Tailor

COMPANY SECRETARY : Mrs. Ruli Das Sen

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

REGISTERED OFFICE: 4th Floor, Orion Place
Bhangagarh, G. S. Road,
Guwahati 781005

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

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NOTICE

Notice is hereby given that the Thirty-third Annual General Meeting of the company will be held at the registered office of the company at 4th Floor, Orion Place, Bhangagarh, G. S. Road, Guwahati-781005 on Friday, the 24th day of December, 2004 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, 2004 and the 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 Amulya Hash Goswami, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri R. L. Duarah, 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 approval of the members be and is hereby accorded to the appointment of Shri O P Tailor, as Director not liable to retire by rotation on the Board of Directors and as Managing Director of the Company for a period of five years from the date of joining, which is 2nd August, 2004 with initial term of 3 years and subject to renewal on yearly basis on finding his performance satisfactory in line with the practice followed by the central government, 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 : Managing Director
2. Period of appointment : 5 (five years w.e.f. the date of joining as Managing Director, which is 2nd August, 2004 with initial term of 3 years and subject to renewal on yearly basis on finding his performance satisfactory in line with the practice followed by the central government.
3. Headquarters : Namrup
4. Salary :
 - i) Basic = Rs. 17,950/- per month in the scale of Rs. 12,625-400-14, 625-475-17,950/- as recommended by the Government
 - ii) D. A. as per Govt. Rules at par with that of the other executives of the Company.
 - iii) Special pay of Rs. 1,000/- per month.
5. Perquisites :
 - i) Namrup Allowance as per rules of the Company.
 - ii) Company's contribution towards Provident Fund subject to a maximum of 12% of salary.
 - iii) Gratuity @ 15 day's salary for each completed year of service;
 - iv) Reimbursement of medical expenses for self, wife and dependent members of the family, the terms "family/ dependent" to be interpreted as per the medical rules of the company;
 - v) Furnished residential accommodation at Namrup;

- vi) Electricity and water as per Company's Rules;
- vii) Reimbursement of entertainment expenses actually incurred not exceeding Rs. 7,500/- (Rupees seven thousand five hundred only) per year;
- viii) Free use of chauffeur driven car for official use. An amount @ Rs. 2.50 p. per K.M. will be deduct for private use of the car;
- ix) Telephone at the residence at Company's cost provided that charges for personal calls shall be reimbursed to the Company;
- x) One month's leave for every eleven months of completed service allowed to be accumulated upto 150 days provided that leave not availed of shall not be encashed except at the end of the contract period. Earned Leave may be availed on a pro-rata basis. Further, medical Leave and Casual Leave as per rules of the Company;
- xi) Leave Travel facility restricted to the fare for air or air-conditioned class for self, wife and dependent members of the family once in a year to and fro any place in the country or 60% (sixty percent) of the eligible amount for a maximum distance of 3,200 kms (one way) at air conditioned class in lieu of same facility, if not availed, the term "dependent" to be interpreted as per the rules of the company;
- xii) Payment of annual ex-gratia as follows :
 - a) Where the company earns net profit of less than Rs. One crore, ex-gratia, if any, as applicable to other employees.
 - b) Where the company earns net profit of Rs. one crore and above, special ex-gratia as under :

<u>Net Profit</u>		<u>Special ex-gratia</u>
Rs. 1 crore to less than Rs. 3 crore	—	Rs. 15,000/-
Rs. 3 crore to less than Rs. 6 crore	—	Rs. 20,000/-
Rs. 6 crore and above	—	Rs. 25,000/-

However, where special ex-gratia amount is paid as per (b) above, ex-gratia as per (a) above would not be admissible.

- xiii) Personal accident policy of any amount for which the annual premium does not exceed Rs. 1000/- (rupees one thousand only).

6. Travelling expenses and allowances :

- i) Fare by air or air-conditioned class at actual.
- ii) Boarding and lodging/hotel expenses at actuals.
- iii) Out of pocket expenses as follows :

A Class City (All metropolitan cities, which are Kolkata, Delhi, Mumbai, Chennai, Bangalore, Hyderabad)	Rs. 500 per day
B Class City (All places outside northeast except A Class cities and all capital cities of NE)	Rs. 400 per day
C Class City (All places in NE except capital cities)	Rs. 300 per day

- iv) Conveyance at actuals.
- 7. Either party can terminate the appointment by giving three months' notice to the other or by paying the salary in lieu thereof. No such notice is necessary in case of health or medical grounds.
- 8. The state government be requested for expanding the span of his scale of pay as above to avoid stagnation and should the state government accede to the request, his basic pay be fixed as per rules of the Company from the date of his joining as Managing Director. After fixation of basic on the expanded span, the special pay of Rs. 1,000/- p.m. shall cease and the special pay availed till that time will be adjusted against his salary.

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 Managing Director."

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

"RESOLVED THAT pursuant to section 31 and the first proviso to section 310 of the Companies Act, 1956, article 96 of the Articles of Association of the Company be and is hereby substituted by the following :

"96. Unless otherwise determined by the Company in General Meeting, each Director shall be entitled to receive out of the funds of the company for his services in attending meetings of the Board or committees thereof, a fee of Rs. 750/- per meeting of the Board or Committee attended by him. All other remuneration, if any, payable by the Company to each Director, whether in respect of his service as a Managing Director or a Director in the whole or part time employment of the Company shall be determined in accordance with and subject to the provisions of these Articles and of the Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and other expenses incurred in consequence of their attending Board and Committee meetings, and otherwise in the execution of their duties as Directors."

By Order of the Board



(Ruli Das Sen)
Company Secretary

Guwahati
Dated : 11-10-04

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 & Managing Director :

Shri Amulya Hash Goswami retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Shri Amulya Hash Goswami is a renowned Consultant and Sports Columnist. He is a B.Sc. (Cal) & B. Sc. Met. Engg. (BHU). He retired as Fids Manager, OIL. He was also Advisor Engineering, AIDC Ltd.

Shri. R. L. Duarah joined the Assam Civil services in the year 1980 and served as Extra Assistant Commissioner, Sub-Divisional Officer (Civil), Project Officer, DRDA, Addl Deputy Commissioner, Deputy Secretary to the Government of Assam and Joint Secretary to the Government of Assam. He presently holds the post of Director, Municipal Administration, Government of Assam.

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 was appointed as Director (Finance), a Director not liable to retire by rotation for three years w.e.f. 13.06.2000 and he was reappointed in the same capacity for a further period of three years w.e.f. 13.06.2003. prior to joining APL, he had served in NEPA Limited, Nepanagar (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.

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(80)(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 28th June, 2004 approved an audit fee of Rs. 30,000 p.a. for 3 years w.e.f. 2003-2004 subject to the approval of the members in general meeting.
6. The Register of Members and the share transfer books shall remain closed from Thursday, 16th December, 2004 to Friday, 24th December, 2004 (both days inclusive).

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

Agenda Item 6 :

On the recommendation of the state government vide AIDC Letter No. AIDC/Estt/1600/2/20-21 dated 17.07.2004, the Board of Directors of the Company in its 236th meeting dated 27.07.2004 appointed Shri Om Prakash Tailor as Director not liable to retire by rotation on the Board of Directors and as Managing Director of the Company for a period of five years from the date of joining with initial term of 3 years and subject to renewal on yearly basis on finding his performance satisfactory in line with the practice followed by the central government. Shri Tailor, who was previously the Director (Finance) of the Company joined as Managing Director w.e.f. 02.08.2004 (FN). The appointment of Shri Tailor will be on the remuneration and subject to the terms and conditions set out in agenda item no. 6 of the notice.

The appointment and the terms and conditions thereof are, however, subject to the approval of the members in general meeting as per article 128 of the Articles of Association.

All related letters/documents in connection with the appointment will be open for inspection by the members at the registered office of the Company during normal working hours.

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

Agenda Item 7 :

Pursuant to the provisions of section 310 of the Companies Act, 1956 and article 96 of the Articles of Association of the Company the Directors hitherto were getting remuneration by way of sitting fee an amount of Rs. 500/- for each meeting of the board attended. Pursuant to section 31 of the Companies Act, a special resolution of the members in general meeting is required to alter the Articles of Association.

Owing to increasing responsibilities of the Directors of the company through various enactments, the Directors have to exercise a more cautious attitude and greater vigilance in the affairs of the management of the company. Sitting fee is paid to Directors other than whole-time Directors and nominees of AIDC Ltd. The sitting fee of such Directors was last enhanced to Rs. 500/- vide special resolution dated 28th September, 1993. Under the circumstances, it was considered fair to enhance the sitting fees. It is proposed to increase the sitting fee to Rs. 750/- per meeting of the Board or Committee thereof attended by the Directors. The enhanced fee is within the limit prescribed vide rule 10B of Companies (Central Government's) General Rules & Forms, 1956.

Article 96 of the Articles of Association of the Company, therefore, has to be changed for enhancing the amount of sitting fees to Rs. 750/- per meeting of the Board or Committee thereof attended by the Directors.

The Directors (except the Directors in whole-time-employment & nominees of AIDC Ltd.) of the Company are interested in this resolution to the extent of remuneration proposed to be paid to them by way of sitting fees for each meeting of the Board or Committee thereof attended by them.

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

● Industry structure and developments.

During the financial year the international market for Methanol was steady and the average price was around \$250 per ton. The prices are expected to begin a downward trend from 2005 on account of addition of large production capacities abroad.

● Opportunities and threats

The Company has modernized the reformer in its methanol plant during 2001-02 after which its capacity utilization improved to 95%. Natural gas pressure has also been improved with the installation of new gas pipeline by AGCL in May, 2004.

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 de-bottlenecking in the current year to get higher production. From December, 2004 the company shall be able to reduce the cost of production after de-bottlenecking is completed. Sales realization is also improving with restart of the petrochemical unit by BRPL since December, 2003. Average lifting by BRPL is around 300 Tons per month.

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. Other two manufacturers of Formalin are located very close to customers in north and south Bengal. The Government of India has withdrawn the Northeast subsidy NG from 1st April, 2003. 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 2003-04, the company was able to achieve only 91% capacity utilization of Methanol plant against 90% in the previous year. The capacity utilization subsequent to modernization has gradually improved and we are operating the plant upto 95% utilization.

(B) FORMALDEHYDE :

Performance in formaldehyde production, improved

to 75% capacity utilization from 69% in the previous year, despite closure of several plywood industries in North Bengal due to environmental restrictions.

● 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 and rationalization of marketing policies. Further program to install captive power to ensure uninterrupted power for the production units and additional capacity of methanol are in process.

● 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. The sales tax exemption on formalin sale expired on 30th September, 2004.

● Internal control systems and their adequacy

The Company has an adequate internal control system and is strengthening its internal audit.

● 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 proper utilization of manpower by extending the operations of the Company. VRS is also on in the Company. The Company is operating for 32 years and the senior management personnel are due for superannuation. The Company is planning to induct young professionals to grow with the future needs of the Company.

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

APL continues with its efforts 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 8 Directors. The attendance particulars of the Directors during 2003-2004 are as below :

NAME OF DIRECTORS	CATEGORY	NO. OF OTHER DIRECTORSHIP HELD	ATTENDANCE PARTICULARS	
			Board Meetings	Last AGM
1. Shri Bhubaneswar Kalita Chairman (w.e.f. 13th October 2003)	Promoter/Non Executive Directors (Nominated by holding company AIDC Ltd.)	1	3	Yes
2. Shri Paramesh Dutta, IAS (w.e.f. 23rd December, 2003)		3	1	-
3. Shri H. K. Sharma, IAS		13	8	Yes
4. Shri R L Duarah		-	7	-
5. Shri D N Barua	Independent Non- Executive Directors	2	8	Yes
6. Shri Amulya Hash Goswami		-	8	-
7. Shri D Gohain		2	5	Yes
8. Shri O P Tailor, Managing Director	Whole-time- Directors	1	8	Yes

Nominations of Shri R C Sehagal & Shri N G Saha, Nominee Directors from IDBI & UBI respectively were withdrawn as detailed in the Directors' Report. Shri O P Tailor took charge as Managing Director w.e.f. 2nd August, 2004 prior to which he was Director (Finance).

Number of Board Meetings held and dates on which held :

8 Board Meetings were held during the year on the following dates :

9th April, 2003	23rd September, 2003
3rd May, 2003	13th October, 2003
10th June, 2003	28th January, 2004
29th July, 2003	1st March, 2004.

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, 2004 to Whole-time-Directors is as follows :

	Shri K.L.N. Rao* (* upto 22nd June, 2003) (Rs.)	Shri O.P. Tailor (2003-04) (Rs.)
Salary	1,18,403	3,32,114
Exgratia	5,685	6,000
Leave Travel Concession	46,470	47,023
Medical Exp	3,057	5,501
Personal Accident	0	0
Entertainment Exp	0	0

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. 18,000/-
Shri Amulya Hash Goswami	:	Rs. 12,500/-
Shri D Gohain	:	Rs. 7,500/-

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.

Three meetings of the committee were held during 2003-2004.

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 O P Tailor 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 requirement of the listing agreement with the Stock Exchanges. 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 :

Extraordinary General Meeting	:	28th June, 2004
32nd Annual General Meeting	:	23rd December, 2003
31st Annual General Meeting	:	30th July, 2002

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

8. Unclaimed dividends :

Dividends remaining unclaimed for seven years will be transferred to the Investor Education & Protection Fund of the Central Government due dates of which are as below :

Financial Year	Date of declaration	Due date of transfer
1992-93	26.09.97	November, 2004
1993-94	05.06.98	July, 2005
1994-95	09.12.98	January, 2006
2000-01	25.06.01	July, 2008
2002-03	12.03.03	April, 2010
2003-04	01.03.04	April, 2011

Shareholders who have not claimed their dividends for these years are, therefore, requested to do so before the due dates for transfer to the Investor Education and Protection Fund.

9. General Shareholder Information :

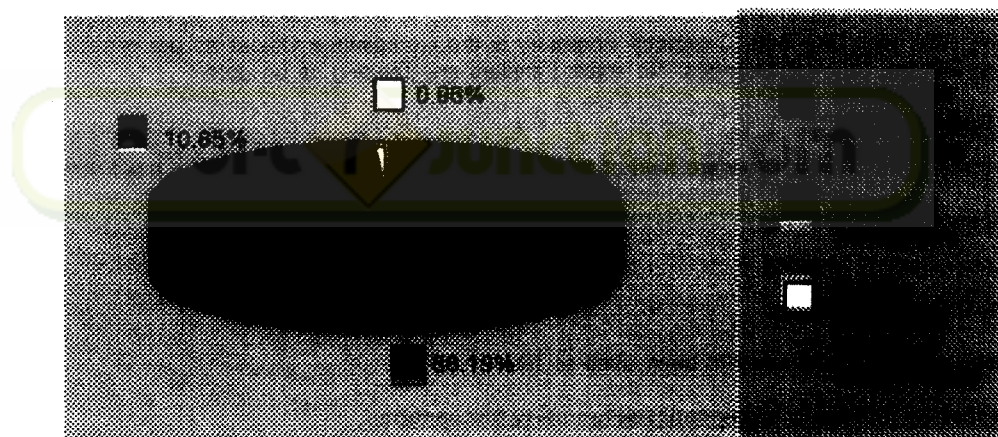
Listing : The shares of the company are listed in the stock exchanges at Guwahati, Mumbai and Kolkata. However, the shares have not been quoted during the last financial year. Delisting of shares from the stock exchange at Kolkata is under process.

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, 2004

Shareholding Pattern



Locations :

Factory/Head Office :

PO. Parbatpur, Namrup
District Dibrugarh-786623
E Mail : nrapl@sancharnet.in

Registered Office :

4th Floor "Orion Place"
Bhangagarh, G.S. Road, Guwahati-781005
E Mail : aplghy2@sancharnet.in

Branch Office :

Room No. 2B
2nd Floor, RDB Chambers
106A S. N. Banerjee Road
Kolkata-700014
E Mail: aplkol@vsnl.net.in

Flat No. 3C
Kalyani Apartments
Sevak Road,
Siliguri