



ASSAM PETROCHEMICALS LIMITED

annual report, 2004-2005

BOARD OF DIRECTORS

(As on 30th September, 2005)

Non-executive Chairman :	1. Shri Bhubaneswar Kalita	}	Nominees of Assam Industrial Development Corporation Limited
Directors :	2. Shri Paramesh Dutta, IAS		
	3. Shri Niraj Verma, 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 Niraj Varma, IAS
	3. Shri Amulya Hash Goswami
	4. Shri D Gohain
	5. 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-fourth 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 Monday, the 12th day of December, 2005 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, 2005 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 D N Barua, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri Paramesh Dutta, IAS, 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 section 17 of the Companies Act, 1956 the objects clause of the memorandum of association of the company be altered by adding the following new clause no. 35 after the existing clause 34 thereof under sub head (B) i.e., Objects incidental or ancillary to the attainment of the main objects :

35. To carry on the business of generation of power whether for the purpose of captive consumption or sale thereof or to use the same in any way which may appear likely to be advantageous or useful to the company."

By Order of the Board



(Ruli Das Sen)
Company Secretary

Guwahati
Dated : 30th September, 2005

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 northeastern 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 Gauhati Stock Exchange, Working President of FINER and Chairman, Fertilizer Association of India. At present he holds Directorships in various organizations including FINER and Pragjyotish Fertilizers & Chemicals Ltd. He is also Advisor to the Indian Institute of Chemical Engineers and a member of the Advisory Council of IDBI for the northeastern region.

Shri. Paramesh Dutta, IAS, retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. He is a nominee from AIDC Ltd. Shri Paramesh Dutta is a BE, M Tech and is in the Indian Administrative Services. At present he is Commissioner to the Government of Assam, Department of Education. He is Director in Assam Text Book Production & Publication Ltd. and India Carbon Ltd.

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 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. *Pursuant to section 192A a resolution for change in objects clause of the Memorandum of Association is required to be passed by postal ballot, as the company is a listed company. The business at serial no. 6 of the agenda has to be taken up through postal ballot. Postal ballot papers have been despatched and the results of the same will be declared at the meeting.*
7. *The Register of Members and the share transfer books shall remain closed from Thursday, 1st December, 2005 to Monday, 12th December, 2005 (both days inclusive).*

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

Agenda Item 6 :

Subject to approval of the state government, the company proposes to set up a 7MW captive power plant consisting of two units of 3.5 MW each at the factory site at Namrup mainly for captive consumption to overcome production loss from frequent power interruptions. The surplus power after captive consumption would be sold. This would require alteration in the objects clause of the memorandum of association of the company enabling the company to generate and sell power.

As per section 17 of the Companies Act, the alteration would require approval of the shareholders by a special resolution. The business of generation of power whether for the purpose of captive consumption or sale thereof can enable the company to carry on its business more economically or more effectively and also to carry on a business which under existing circumstances may be conveniently or advantageously combined with the business of the company. The adoption of the resolution would be beneficial for the company and your Directors recommend the same.

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

None of the Directors is interested in the proposed resolution.

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Management Discussion and Analysis Report

- **Industry structure and developments.**

The Company manufactures Methanol and Formaldehyde. The profitability of the company is largely affected by the international price of Methanol, which has direct impact on domestic Methanol prices. During the financial year the international market for Methanol was steady and varied between USD 325 to USD 232. The prices are showing a downward trend since May, 2005 towards realistic level. The Methanol price at the time of this report stands at USD 212.

- **Opportunities and threats**

The Company has modernized the reformer in its methanol plant during 2001-02. Natural gas pressure has also been improved with the installation of new gas pipeline by AGCL in May, 2004. Debottlenecking of the methanol plant was completed in November/December, 2004 because of which capacity utilization is expected to be better. The company has taken advance measures for marketing the additional production and has been able to sell all that is produced.

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 on NG from 1st April, 2003. If linking of natural gas price to international oil prices comes into force, it 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 2004-05, the company was able to achieve only 90% capacity utilization of Methanol plant against 91% in the previous year. The capacity utilization subsequent to modernization has gradually improved. However during the year it was less on account of shutdown of plant for one month for annual maintenance, catalysts change, statutory boiler inspection and de-bottlenecking work.

(B) FORMALDEHYDE :

Performance in formaldehyde production, improved to 81% capacity utilization from 75% in the previous year.

- **Outlook**

With improved capacity utilization, the Company has been able to maintain its market share in North India for Methanol. Stable marketing policies and quick rational decisions helped in maintaining sales and low inventory of finished products. Further, programme to install captive power to ensure uninterrupted power to 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 transport subsidy on Formalin sale has been discontinued from 1st Oct. 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 against 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 has inducted some young professionals to meet the future needs of the Company. □

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

The company 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 2004-2005 are as below :

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

Shri O P Tailor took charge as Managing Director w.e.f. 2nd August, 2004 prior to which he was Director (Finance). Shri Niraj Verma, IAS was appointed as Director w.e.f. 1st June, 2005 in the casual vacancy caused by the withdrawal of nomination of Shri H K Sharma, IAS by AIDC Ltd.

Number of Board Meetings held and dates on which held :

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

26th May, 2004	12th January, 2005
28th June, 2004	2nd February, 2005
27th July, 2004	14th March, 2005
11th October, 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, 2005 to Whole-time-Directors is as follows w.e.f. 02-08-2004.

	Shri O. P. Tailor
Salary	Rs. 2,50,252.00
Exgratia	Rs. 16,665.00
Medical Exp	Rs. 15,280.00
Personal Accident Policy	Rs. 1,000.00
Entertainment Exp	Rs. 1,500.00
Co's contribution to ECPF	Rs. 28,325.00
Leave Travel Concession	Rs. Nil
Total—	Rs. 3,13,022.00

Payment of annual ex-gratia (performance linked incentive) is made on following basis :

- a) Where the company earns net operating profit of less than Rs. one crore, ex-gratia, if any, as applicable to other employees.
- b) Where the company earns net operating profit of Rs. one crore and above, special ex-gratia as under :

<u>Net Operating Profit</u>	<u>Special ex-gratia</u>
Rs. 1 crore to less than Rs. 2 crore	Rs. 15,000/-
Rs. 2 crore to less than Rs. 3 crore	Rs. 20,000/-
Rs. 3 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.

The Managing Director is also entitled to Company's contribution to Provident Fund as per the rules of the company.

Sitting fee @ Rs. 750/- is paid to all non-executive Directors, except nominees from AIDC Ltd. The sitting fees paid during the year to the Directors is as follows :

Shri D N Barua	:	Rs. 15,750/-
Shri Amulya Hash Goswami	:	Rs. 10,250/-
Shri D Gohain	:	Rs. 15,000/-

Other details on Directors

Shri O P Tailor has been appointed Managing Director for a period of 5 (five) years w.e.f. the date of joining as Managing Director (02.08.2004) on the terms and conditions as decided by the Board, 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. The agreement with the Managing Director can be terminated by either party 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.

One of the non-executive Directors, Shri D Gohain holds 100 equity shares in the company.

3. Audit Committee :

An Audit Committee has been reconstituted by the Board in its meeting held on 23rd June, 2005 and it now comprises of the following members :

- i) Shri D N Barua, Chairman
- ii) Shri Niraj Verma, IAS, Director
- iii) Shri Amulya Hash Goswami, Director.
- iv) Shri D Gohain, Director
- v) Shri O P Tailor, Managing Director

As per decision of the Board the Committee is to function and have powers as prescribed by section 292A of the Companies Act and clause 49 of the listing agreement with the stock exchanges.

Three meetings of the committee were held during 2004-2005 on 28.06.2004, 11.10.2004 and 11.01.2005. Details of attendance of members of the Audit Committee is as follows :

Name of member	Status	No. of meetings attended
Shri D N Barua,	Chairman	3
Shri H. K. Sharma, IAS,	Member	1
Shri A H Goswami	Member	3

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 or investor grievances are pending as on date.

5. Annual General Body Meetings :

The last three general meetings were held at the registered office of the company at 11 a.m. on the following dates :

33rd Annual General Meeting	: 24th December, 2004 : Two special resolutions passed
32nd Annual General Meeting	: 23rd December, 2003 : Two special resolutions passed
31st Annual General Meeting	: 30th September, 2002

The system of postal ballot is being used for the first time for agenda 6 of the notice of the annual general meeting.

6. Disclosures

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

c. The company has complied with the mandatory requirements of clause 49 of the listing agreement.

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
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. Shares are being delisted from the stock exchange at Kolkata from which intimation of delisting is awaited.

Financial Year : April to March.

Book Closure Dates : Thursday, 1st December, 2005 to Monday, 12th December, 2005 (both days inclusive)

34th Annual General Meeting :

Venue : Registered Office at 4th Fl, Orion Place, Bhangagarh, G. S. Road, Guwahati 781005

Time : 11 a.m.

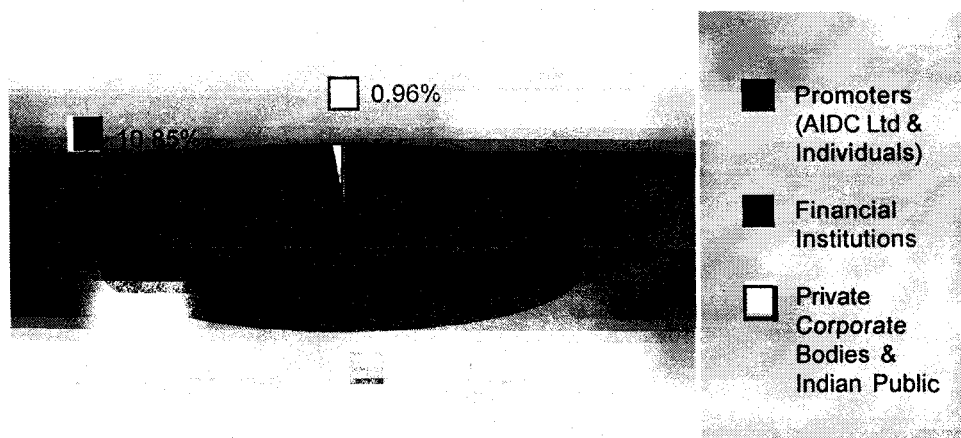
Date Monday, 12th December, 2005

Dividend Payment Date : 10th January, 2006

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, 2005.

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 :

Kamalaya Centre
Room No. F-28 (1st Floor)
156A, Lenin Sarani
Kolkata-700013
E Mail: aplkol@vsnl.net.in

Flat No. 3C
Kalyani Apartments
Sevak Road,
Siliguri

DECLARATION

As required by amended clause 49 of the listing agreement with the stock exchanges, it is hereby declared that the members of the Board of Directors as well as senior officers of the company to whom the Code of Business Conduct & Ethics is applicable have affirmed compliance with the code.

Dated 30th September, 2005

O P Tailor
Managing Director

DIRECTORS' REPORT

Your Directors have pleasure in presenting the thirty-fourth Annual Report together with the audited statement of accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS :

	2003-2004 (Rs. in lac)	2004-2005 (Rs. in lac)
Sales & other income	5519.44	5546.74
Gross Profit	1497.86	1644.91
Less : Depreciation	328.20	322.55
Interest	21.72	-
Profit for the year before taxation	1147.94	1322.36
Provision for taxation	849.22	286.34
Profit for the year after taxation	298.72	1036.02
Balance brought forward from previous year	520.93	707.14
Extraordinary item	-	183.84
Income Tax Refund for Previous Year	-	202.87
Adjustment of prior years	(-) 14.20	(-) 1.36
Provisions/reserves no longer required	2.77	73.83
Amount available for appropriation	808.22	2202.34
This has been appropriated as under :		
Proposed dividends :	91.20	93.00
Tax on dividends	11.68	11.92
Balance carried to Balance Sheet	705.34	2097.42

The management's replies to the comments made by the Comptroller and Auditor General and the Statutory Auditors are annexed as annexure B & C respectively. 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-eighth year of commercial production. The operational highlights during the year 2004-2005 with comparative position in the previous year 2003-04 were as follows :

PLANT	PRODUCTION (M.T.)	
	2003-2004	2004-2005
Methanol-II	30001.00	29616.00
Formalin-II	24690.00	26845.00
Liquid Carbon-di-oxide	Nil	Nil
PLANT	CAPACITY UTILIZATION	
	2003-2004	2004-2005
	2003-2004	2004-2005
Methanol-II	91%	90%
Formalin-I	75%	81%

Capacity utilization of Methanol Unit II declined by 1% of installed capacity as compared to the previous year. The decline is mainly due to planned shutdown for change of catalysts, statutory boiler inspection, annual maintenance and commissioning of equipments under de-bottlenecking scheme. Production loss was 596 MT due to power interruption, 311 MT due to mechanical maintenance, 1242 MT due to changing of converter catalyst/annual maintenance and 580 MT due to problem in distillation section. Formalin was manufactured as per market demand. The plant load was improved by 6% as compared to previous year.