



# **ASSAM PETROCHEMICALS LIMITED**

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Annual Report 2005 -06

**BOARD OF DIRECTORS :**

*(As on 30th September, 2006)*

<b>Non-executive Directors :</b>	1. Shri H. Sonowal, IAS	]	Nominees of Assam Industrial Development Corporation Limited
	2. Shri Niraj Verma, IAS		
	3. Shri R L Duarah		
	4. Shri D N Barua		
	5. Shri A H Goswami	]	Nominees of public appointed in annual general meeting
	6. Shri D Gohain		
<b>Managing Director :</b>	7. Shri O P Tailor		

<b>AUDIT COMMITTEE:</b>	1. Shri D N Barua
	2. Shri Niraj Verma, 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

**PRINTED AT:** Sigma Auto Printers, Guwahati-3

## ANNUAL REPORT, 2005-2006

**NOTICE**

Notice is hereby given that the Thirty-fifth 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 29th of December, 2006 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, 2006 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 Dhireswar Gohain, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri Niraj Verma, IAS, who retires by rotation, and being eligible offers himself for reappointment.
5. To fix remuneration of the Statutory Auditors.



By Order of the Board



(Ruli Das Sen)  
Company Secretary

Guwahati  
Dated : 19th September, 2006

**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 Director :

*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 Corporation of India Ltd. and Assam Petrochemicals*

Ltd. He headed the Marketing Department of APL for 15 years and retired as General Manager (Marketing). Shri Gohain holds 100 equity shares in the company.

Shri. Niraj Verma, IAS, retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Shri Niraj Verma is a nominee Director from Assam Industrial Development Corporation Ltd., the holding company, of which he is presently the Managing Director. Shri Verma is a B. Tech (Electrical Engineering) from IIT, Kharagpur and an officer of the Indian Administrative Service (IAS). He started his career as Management Trainee (Technical) in SAIL, Bokaro Steel City. He served as Asstt. Divisional Engineer (Technical) in the Department of Telecommunications. He has been in the IAS since 1994. He was Managing Director, Assam Electronics Development Corporation (AMTRON) in 2000-01 and served as District Magistrate in Dibrugarh District (Asom) from June 2001 to Aug 2004. He was posted as Additional Secretary in the Chief Minister's Office, Industry, Information Technology (IT) etc. & Nodal Officer (Investment) from Sept 2004 to Feb, 2006. He also served as Secretary to the Hon'ble Chief Minister, Asom and Secretary, Information Technology, Government of Asom. He does not hold any equity shares in the company.

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 O. P. Bhansali & Co. 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 18th September, 2006 approved an audit fee of Rs. 35,000 p.a. for 3 years w.e.f. 2005-2006 subject to the approval of the members in general meeting.
6. The Register of Members and the share transfer books shall remain closed from Saturday, 16th December, 2006 to Friday, 29th December, 2006 (both days inclusive).



## 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 203 to USD 325. The prices are showing an upward trend and the Methanol price at the time of this report stands at USD 375.

### ● **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 has become 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 Government of India has withdrawn the Northeast subsidy on NG from 1st April, 2003. Increase in price of Natural Gas also affects the profitability of the company. The price of Natural Gas has substantially increased from Rs. 1700/MCM to Rs. 3200/MCM w.e.f. 1.7.2005. The formaldehyde market is shrinking gradually and shifting to far off places due to environmental restrictions in northeast. Other two manufactures of Formalin are located very close to customers in North and South Bengal. 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 2005-06, the company was able to achieve 99% capacity utilization of Methanol plant against 90% in the previous year. The capacity utilization subsequent to de-bottlenecking has improved.

#### **(B) FORMALDEHYDE :**

Performance in formaldehyde production, improved

to 82% capacity utilization from 81% 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 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 for the products of the Company except northeast. The Company has to match the prices of competitors at customer point (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 viz. Gas pricing, NE incentives etc. 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 and is strengthening its internal audit to be conducted by outside expert firm.

### ● **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 surplus manpower against its limited turnover. The Company is preparing the blue print for proper utilization of manpower by extending the operations of the Company. Expansion plan has been submitted to the State Govt. VRS is in force in the Company. The Company is operating for 30 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 and is reviewing the senior positions.

**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 satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability.

**2. Board of Directors :**

The Board of Directors on the date of this report comprises of 7 Directors. The attendance particulars of the Directors during 2005-2006 are as below :

NAME OF DIRECTORS	CATEGORY	NO. OF OTHER DIRECTORSHIPS HELD	ATTENDANCE PARTICULARS	
			Board Meetings	Last AGM
1. Shri Harish Sonowal, IAS (Appointed w.e.f. 06.02.06)	Promoter/Non Executive Directors (Nominated by holding company AIDC Ltd.)	2	-	-
2. Shri Niraj Verma, IAS (Appointed w.e.f. 1st June, 05)		13	4	-
3. Shri R L Duarah		-	6	-
4. Shri D N Barua	Independent Non- Executive Directors	2	7	Yes
5. Shri Amulya Hash Goswami		-	8	-
6. Shri D Gohain		2	4	Yes
7. Shri O P Tailor, Managing Director	Whole-time- Directors	1	8	Yes

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. Shri Harish Sonowal, IAS was appointed as Director w.e.f. 6th February, 2006 in the casual vacancy caused by the withdrawal of nomination of Shri Paramesh Dutta, IAS by AIDC Ltd. Shri Bhubaneswar Kalita, Chairman ceased to be a Director w.e.f. 26.04.2006 on account of resignation.

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

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

1st June, 2005  
23rd June, 2005  
28th July, 2005  
30th September, 2005  
29th October, 2005  
24th December, 2005  
17th January, 2006  
6th February, 2006

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, 2006 to Whole-time-Directors is as follows :

Salary	Rs. 3,96,615.00
Exgratia	Rs. 25,000.00
Medical Exp	Rs. 5,731.00
Personal Accident Policy	Rs. 1,000.00
Entertainment Exp	Rs. 4,935.00

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Co's contribution to ECPF	Rs. 44,048.00
Leave Travel Concession	Rs. 74,680.00
Total—	Rs. 5,52,009.00

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. 19,500/-
Shri Amulya Hash Goswami	:	Rs. 18,000/-
Shri D Gohain	:	Rs. 13,500/-

#### **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 :**

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

- Shri D N Barua, Chairman
- Shri Niraj Verma, IAS, Director
- Shri Amulya Hash Goswami, Director.
- Shri D Gohain, Director
- 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.

Four meetings of the committee were held during 2005-2006 on 22.06.2005, 28.07.2005, 19.11.2005 & 28.02.2006. 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	Chairman	4
Shri Niraj Verma, IAS;	Member	1
Shri A H Goswami	Member	4
Shri D. Gohain	Member	2
Shri O. P. Tailor	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 annual general meetings were held at the registered office of the company at 11 a.m. on the following dates :

34th Annual General Meeting	: 12th December, 2005 : One special resolution passed
33rd Annual General Meeting	: 24th December, 2004 : Two special resolutions passed
32nd Annual General Meeting	: 23rd December, 2003 : Two special resolutions passed

The system of postal ballot is being used by the company.

#### 6. Disclosures

##### A. Disclosure on materially significant related party transactions.

- i) List of related parties with whom transaction has taken place and relationship :

Pragjyotish Fertilizer & Chemicals Limited	Subsidiary Company
Assam Industrial Development Corporation Ltd.	Holding Company
Om Prakash Tailor	Key Managerial Person

- ii) Transaction during the year (Excluding reimbursement)

##### a. Pragjyotish Fertilizer & Chemicals Limited :

Rs.

Opening Balance	
Investment in Equity Shares	10000000
Loans	834194
Advances	Nil
Share application money	300000
Transactions :	
Net movement in loans	2102391
Net movement in advances	Nil
Net movement Shares application money paid	Nil
Subscriptions/Purchase of Equity Shares	Nil
Closing Balance :	
Investment in Equity Shares	10000000
Loans	2936585
Advances	Nil
Share application money	300000

##### b. KEY MANAGERIAL PERSONNEL

Sri Om Prakash Tailor :

Remuneration & benefits as Managing Director

Rs. 5,52,009/-

##### c. Assam Industrial Development Corporation Ltd. :

Payment of Dividend duuring the year

Rs. 80,41,500/-



**ANNUAL REPORT, 2005-2006****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. However, the Company does not yet have its own website. The requirement of risk management is under process of compliance.

**7. Means of communication :**

The quarterly unaudited financial results of the company are published in Ajir Asom, Guwahati and Business Standard, 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
2000-01	25.06.01	July, 2008
2002-03	12.03.03	April, 2010
2003-04	01.03.04	April, 2011
2004-05	12.12.05	January, 2012

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 and Mumbai. However, the shares have not been quoted during the last financial year. Shares have been delisted from the stock exchange at Kolkata.

**Financial Year :** April to March.

**Book Closure Dates :** Saturday, 16th December, 2006 to Friday, 29th December, 2006 (both days inclusive)

**35th Annual General Meeting :**

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

Time : 11 a.m.

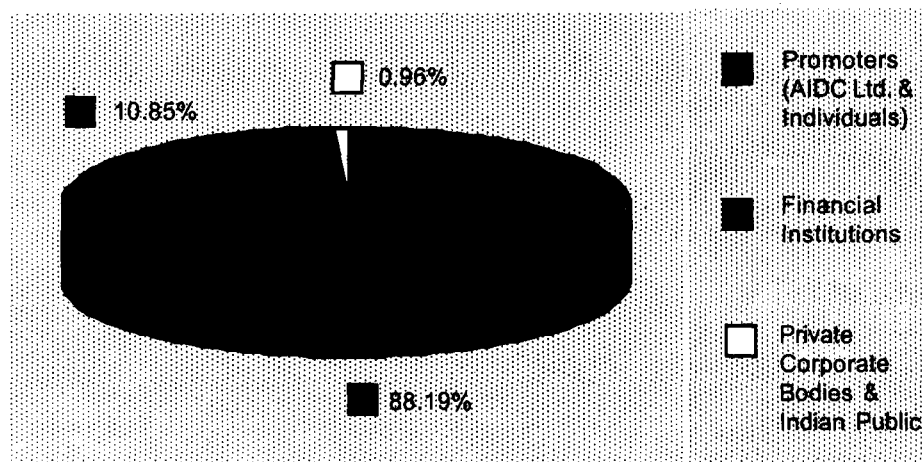
Date Friday, 29th December, 2006

**Dividend Payment Date :** 25th January, 2007

**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, 2006.

### 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  
IInd Floor  
RDB Chamber  
106A SN Banerjee Road  
Kolkata-700014  
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 19th September, 2006

**O P Tailor**  
Managing Director