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# ASSAM PETROCHEMICALS LIMITED

## Annual Report 2006-07

**BOARD OF DIRECTORS :**

(As on 28th September, 2007)

<b>Non-executive Directors :</b>	1. Shri Rameswar Dhanowar	}	Nominees of Assam Industrial Development Corporation Limited
	2. Shri H. Sonowal, IAS		
	3. Shri H. K. Sharma, IAS		
	4. Shri S. P. Nandy		
	5. Shri D N Barua	}	Nominees of public appointed in annual general meeting
	6. Shri A H Goswami		
	7. Shri D Gohain		
	8. Shri Diganta Rajkonwar		
<b>Managing Director :</b>	9. Shri O P Tailor		

<b>AUDIT COMMITTEE:</b>	1. Shri D N Barua
	2. Shri S. P. Nandy
	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.  
Axis Bank Ltd.

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

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

## NOTICE

Notice is hereby given that the Thirty-sixth 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, 28th of December, 2007 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, 2007 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 Rameswar Dhanowar, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri Amulya Hash Goswami, 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 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 honorarium and perks as may be admissible as per Government guidelines to Shri Rameswar Dhanowar, Chairman and thereby holding office or place of profit in the company w.e.f. 21.06.2007 till the date of his holding office as Chairman."

By Order of the Board



(Ruli Das Sen)  
Company Secretary

Guwahati  
Dated : 28th September, 2007

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### Notes :

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

himself for reappointment. Shri Dhanowar is a Member of the State Legislative Assembly, Assam. He began his political career in 1978 when he was elected to the State Legislative Assembly from Digboi constituency. He was Labour Minister, Assam from 1983 to 1985 and Minister, Labour & Employment and Excise, Assam from 2001 to 2005. He was Chairman, Assam Gas Company Ltd in 1992.

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 Fields Manager, Oil India Limited. He was also Advisor Engineering, AIDC 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 U C Mazumdar & Co. has 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 Monday, 17th December, 2007 to Friday, 28th December, 2007 (both days inclusive).

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

##### **Agenda Item 6 :**

Shri Rameswar Dhanowar, Director was appointed as Chairman of the company with cabinet rank by the Board of Directors in its meeting held on 21.06.2007, with such honorarium and perks as admissible as per Government guidelines w.e.f. 21.06.2007 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 honorarium and 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 honorarium and perks to Shri Rameswar Dhanowar 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 Rameswar Dhanowar, is interested in the proposed resolution.

## 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 showed an uptrend and reached up to USD 515/MT of Methanol and ranged during the year between USD 290 to USD 515. The prices are showing an upward trend and the Methanol price at the time of this report stands at USD 250.

### ● 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. De-bottlenecking 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. The other manufacturers 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 2006-07, the company was able to achieve 81% capacity utilization of Methanol plant against 99% in the previous year. The capacity utilization was lower due to shutdown of the plant for two months on account of explosion in make gas train of the Methanol plant in Nov. 06.

#### (B) FORMALDEHYDE :

The capacity utilization of Formaldehyde plant was 79% as against the capacity utilization of 81% in the previous year. The capacity utilization was marginally lower due to shortage of Methanol on account of Methanol plant's production interruption as mentioned in previous para. To utilize the available allocated gas, reduce cost of production, strengthen 100 TPD Methanol plant and to avail NE incentives 30% expansion of the Methanol plant is being considered. A consultant has been appointed to undertake techno economic study. Further follow up is going on for allocation of additional gas to set up 500/300 tons per day Methanol plant and 7 MW captive power to ensure uninterrupted power for the production units. Further development programs are being organized to invite prospective investors to set up downstream projects based on the company's products and setting up of additional capacity of Methanol is 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 strengthened by conducting internal audit 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 9 Directors. The attendance particulars of these Directors during 2006-2007 are as below :

NAME OF DIRECTORS	CATEGORY	NO. OF OTHER DIRECTORSHIPS HELD	ATTENDANCE PARTICULARS	
			Board Meetings	Last AGM
1. Shri Rameswar Dhanowar (Appointed w.e.f. 07.12.06)	Promoter/Non Executive Directors (Nominated by holding company AIDC Ltd.)	-	2	Yes
2. Shri Harish Sonowal, IAS		13	3	-
3. Shri H K Sharma, IAS (Appointed w.e.f. 27.07.2007)		14	-	-
4. Shri S P Nandy (Appointed w.e.f. 27.07.2007)		-	-	-
5. Shri D N Barua	Independent Non- Executive Directors	2	9	Yes
6. Shri Amulya Hash Goswami		-	6	Yes
7. Shri D Gohain		2	4	Yes
8. Shri Diganta Rajkonwar (Appointed w.e.f. 10.04.2007)		-	-	-
9. Shri O P Tailor, Managing Director	Whole-time-Directors	1	9	Yes

Shri Rameswar Dhanowar, Member Legislative Assembly, Assam was appointed as Director liable to retire by rotation w.e.f. 07.12.2006 in the casual vacancy caused by the resignation of Shri Bhubaneswar Kalita. Shri Dhanowar was also appointed as Chairman of the company w.e.f. 21.06.2007. Shri Diganta Rajkonwar was appointed as Additional Director w.e.f. 10.04.2007. Shri R. K. Dutta was appointed as Director liable to retire by rotation w.e.f. 05.05.2007 in the casual vacancy caused by the withdrawal of nomination of Shri Niraj Verma, IAS by AIDC Ltd. Shri H K Sharma, IAS was appointed as Director liable to retire by rotation w.e.f. 27.07.2007 in the casual vacancy caused by the withdrawal of nomination of Shri R K Dutta by AIDC Ltd. Shri S P. Nandy was appointed as Director liable to retire by rotation w.e.f. 27.07.2007 in the casual vacancy caused by the withdrawal of nomination of Shri R.L. Duarah by AIDC Ltd.

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

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

26.04.2006	07.12.2006
26.06.2006	16.01.2007
26.07.2006	22.01.2007
19.09.2006	27.01.2007
23.10.2006	

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, 2007 to Managing Director is as follows :

Salary	Rs. 4,11,677.00
Exgratia	Rs. 25,000.00
Medical Exp	Rs. 1,378.00
Personal Accident Policy	Rs. 1,000.00
Entertainment Exp	Rs. 14,250.00
Co's contribution to ECPF	Rs. 53,178.00
Leave Travel Concession	Rs. 54,106.00
Total—	Rs. 5,60,589.00

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

- Where the company earns net operating profit of less than Rs. one crore, ex-gratia, if any, as applicable to other employees.
- 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.

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. 18,000/-
Shri Amulya Hash Goswami	: Rs. 8,250/-
Shri D Gohain	: Rs. 8,250/-

**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 27th July, 2007 and it now comprises of the following members :

i)	Shri D N Barua	:	Chairman
ii)	Shri S. P. Nandy	:	Member
iii)	Shri A. H. Goswami	:	Member
iv)	Shri D Gohain	:	Member
v)	Shri O P Tailor	:	Member

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 2006-2007 on 26.06.2006, 18.09.2006, 17.01.2007 & 26.01.2007. 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	4
Shri Niraj Verma, IAS,	Member	-
Shri A H Goswami	Member	2
Shri D. Gohain	Member	2
Shri O. P. Tailor	Member	4

#### 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 :

35th Annual General Meeting	: 29th December, 2006 : No special resolutions passed
34th Annual General Meeting	: 12th December, 2005 : One special resolution passed
33rd Annual General Meeting	: 24th December, 2004 : 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.

As per accounting Standard 18 issued by the Institute of Chartered Accountants of India, the disclosure of transaction with related parties as defined in the accounting standard are given below :

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

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

- ii) Transaction during the year (Excluding reimbursement)

A. PRAGJYOTISH FERTILIZERS & CHEMICALS LIMITED :	
	Rs.
Opening Balance	
Investment in Equity Shares	10,000,000
Loans	834,194
Advances	Nil
Share application money	3,00,000
Transactions :	
Net movement in loans	2,102,391
Net movement in advances	Nil



## ANNUAL REPORT, 2006-2007

## ASSAM PETROCHEMICALS LIMITED

Net movement Shares application money paid	Nil
Subscriptions/Purchase of Equity Shares	Nil
Closing Balance :	
Investment in Equity Shares	10,000,000
Loans	2,936,585
Advances	Nil
Share application money	3,00,000

**B. KEY MANAGERAL PERSONNEL**

Sri Om Prakash Tailor :

Remuneration &amp; benefits as Managing Director

Rs. 5,60,589

**C. Assam Industrial Development Corporation Ltd. :**

Payment of Dividend duuring the year

Rs. 80,41,500

**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.

**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
2005-06	29.12.06	January, 2013

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.

**Financial Year :** April to March.

**10. Book Closure Dates :** Monday, 17th December, 2007 to Friday, 28th December, 2007 (both days inclusive)**36th Annual General Meeting :**

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

Time : 11 a.m.

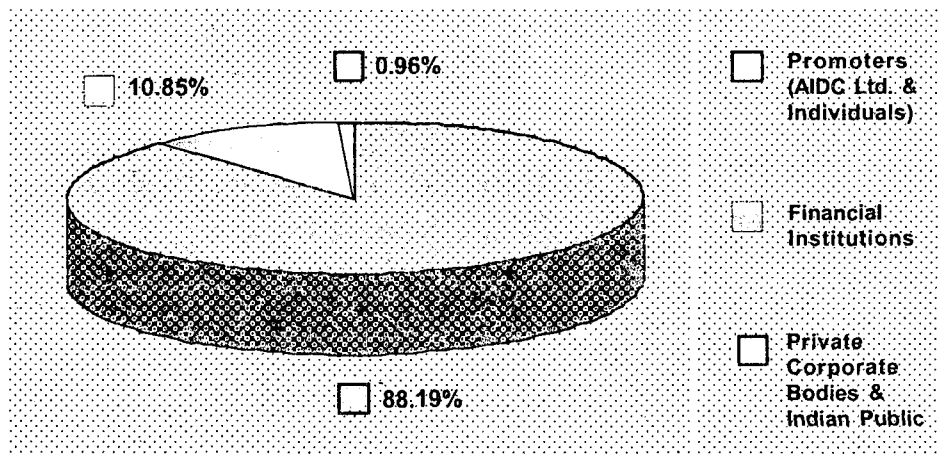
Date Friday, 28th December, 2007

**Dividend Payment Date :** 25th January, 2008.

**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, 2007.

### Shareholding Pattern



#### Locations :

##### **Factory/Head Office :**

PO. Parbatpur, Namrup  
District Dibrugarh-786 623  
E Mail : nrpapl@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 : 28th September, 2007

**O P Tailor**  
Managing Director