

ASSAM PETROCHEMICALS LIMITED

ANNUAL REPORT 2007-2008



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BOARD OF DIRECTORS :

(As on 27th August, 2008)

| | | | |
|----------------------------------|---------------------------|---|--|
| Non-executive Directors : | 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 D Gohain | | |
| | 7. Dr. M. N. Borgohain | | |
| Managing Director : | 8. Shri O P Tailor | | |

| | |
|-------------------------|------------------------|
| AUDIT COMMITTEE: | 1. Shri D N Barua |
| | 2. Shri D. Gohain |
| | 3. Dr. M. N. Borgohain |
| | 4. 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-seventh 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 781 005 on Tuesday, the 30th day of September, 2008 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, 2008 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 S P Nandy, who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and appoint a Director in place of Shri H. Sonowal, 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 : 27th August, 2008

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 S P Nandy retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. He is a nominee of AIDC Ltd. Shri S P Nandy, M.A. from Gauhati University and an officer of the Assam Civil Services (ACS) is at present Joint Secretary (Finance) to the Government of Assam. He joined the ACS in 1983 and has served in various capacities in the state government. He served as EAC in four districts from 1983 to 1988, SDO(C), Majuli from 1989 to 1991, ADC, Barpeta from 1991 to 1992, Joint Director of Training (AASC) from 1993 to 1995, and Dy Secretary (Finance) from 1997 to 1999. He further served as ADC, NC Hills in 1996. He was Joint Secretary (HTS) and Managing Director, AGMC from 1999 to 2000. He also served as Director, Sericulture from 2000 to 2005, Joint Secretary (Hills), Director of Training, Assam Administrative Staff College from 2007 to 2008. He has been serving as Joint Secretary (Finance) from 2005 onwards.
Shri H Sonowal, IAS retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. He is a nominee of AIDC Ltd. Shri H Sonowal is an M.A and is in the Indian Administrative Services. At present he is serving as Principal Secretary to the Government of Assam, Department of Social Welfare. He is Managing Director of Assam Tea Corporation Ltd. and Director of 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 U C Majumdar & 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 2005-06 subject to the approval of the members in general meeting.
6. The Register of Members and the share transfer books shall remain closed from Tuesday 16th September, 2008 to Tuesday, 30th September, 2008 (both days inclusive).

MANAGEMENT DISCUSSION AND ANALYSIS REPORT.

❖ Industry structure and developments.

The Company is a manufacturer of two petrochemical products, 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 610/MT of Methanol and ranged during the year between USD 215 to USD 610. The prices are showing downtrend and the Methanol price at the time of this report stands at USD 360.

❖ Opportunities and threats

The existing Methanol plant is now 20 years old and needs major revamping and increase in capacity to sustain itself in the competitive era. Breakdowns have increased due to ageing. The cost of production is much higher on account of small capacity and the above factors. Further with the shifting of Methanol and Formalin market to distant places on account of closure of BRPL's DMT plant and major plywood industries in the state, the Company has to compete with importers and indigenous manufacturers located in advantageous positions. For increase of Methanol capacity by 30%, the present allocation of natural gas would be sufficient. As a long term measure the Company has planned to undertake a 500 TPD gas based Methanol plant with state of the art technology for which a proposal has been submitted to the State Government.

❖ Segment wise or product wise performance

CAPACITY UTILIZATION:-

| Plants | 2006-07 | 2007-08 |
|------------------|---------|---------|
| 100 TPD Methanol | 81% | 95% |
| 100 TPD Formalin | 79% | 82% |

In the financial year 2007-08, the company was able to achieve 95% capacity utilization of Methanol plant against 81% in the previous year. The capacity utilization of Formaldehyde plant was 82% as against the capacity utilization of 79% in the previous year.

❖ Outlook

To utilize the available cheap allocated gas, reduce cost of production, strengthen 100 TPD Methanol plant and to avail NE incentives 30% expansion of the Methanol plant is under process. The consultant has completed the study and found it feasible from the technical and economic point of view to enhance the capacity of Methanol plant by 30%. There is continuous follow up for allocation of additional gas to set up 500 tons per day Methanol plant and 7MW captive power plant 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.

❖ 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 its products in distant places 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. It is

gathered that one Methanol plant is being set up in Tripura for which allocation of gas has been made by ONGC. This development is a serious concern for the Company. The Company shall evolve the strategy to enhance capacity of Methanol as already planned and also to add high value addition product based on Methanol to ensure its future success.

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 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 a 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 Government. 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. Further Company has engaged a senior technocrat to strengthen its technical side as well as for effective manpower planning and utilization.

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 8 Directors. The attendance particulars of these Directors during 2007-2008 are as below:

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| 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.) | - | 7 | Yes |
| 2. Shri Harish Sonowal, IAS | | 2 | 7 | - |
| 3. Shri H K Sharma, IAS | | 13 | 2 | - |
| 4. Shri S P Nandy | | - | 3 | - |
| 5. Shri D N Barua | Independent Non- Executive Directors | 2 | 10 | Yes |
| 6. Shri D Gohain | | 2 | 10 | Yes |
| 7. Dr M N Borgohain (Appointed w.e.f. 28.12.2007) | | - | 2 | - |
| 8. Shri O P Tailor, Managing Director | Whole-time-Director | 1 | 9 | Yes |

Shri Rameswar Dhanowar and Dr M N Borgohain were appointed as Directors liable to retire by rotation in the last annual general meeting dated 28th December, 2007.

Shri Diganta Rajkonwar who was appointed as Additional Director w.e.f 10.04.2007 ceased to be a Director w.e.f. 28.12.2007. 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:

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

| | |
|------------|------------|
| 10.04.2007 | 28.09.2007 |
| 05.05.2007 | 11.10.2007 |
| 21.06.2007 | 29.10.2007 |
| 27.07.2007 | 29.01.2008 |
| 13.08.2007 | 26.03.2008 |

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 2008 to Managing Director is as follows :

| | | |
|---------------------------|-----|-------------|
| Salary | Rs. | 6,33,381.00 |
| Exgratia | Rs. | 25,000.00 |
| Medical Expenses | Rs. | 1,075.00 |
| Personal Accident Policy | Rs. | 1,000.00 |
| Entertainment Expenses | Rs. | 16,142.00 |
| Co's contribution to ECPF | Rs. | 1,12,791.00 |
| Leave Travel Concession | Rs. | 64,122.00 |
| Total :- | Rs. | 8,53,511.00 |

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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.

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 are as follows:

| | |
|------------------|--------------|
| Shri D N Barua | Rs. 18,000/- |
| Shri D Gohain | Rs. 17,250/- |
| Shri A H Goswami | Rs. 11,250/- |
| Shri D Rajkonwar | Rs. 6,000/- |
| Dr M N Borgohain | Rs. 2,250/- |

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 29th January, 2008 and now comprises of the following members:

1. Shri D N Barua, Chairman
2. Shri D Gohain
3. Dr M N Borgohain
4. Shri O P Tailor

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 2007-2008 on 25.04.2007, 25.07.2007, 29.10.2007 & 28.01.2008. Details of attendance of members of the Audit Committee are as follows:

| Name of member | Status | No. of meetings attended |
|------------------|----------|--------------------------|
| Shri D N Barua | Chairman | 4 |
| Shri R K Dutta | Member | 1 |
| Shri A H Goswami | Member | 2 |
| Shri D Gohain | Member | 4 |
| Shri O P Tailor | Member | 4 |

ASSAM PETROCHEMICALS LIMITED**ANNUAL REPORT, 2007-2008****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) Dr M N Borgohain, 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:

| | | |
|---|---|---|
| 36 th Annual General Meeting | : | 28 th December, 2007: One special resolution passed |
| 35 th Annual General Meeting | : | 29 th December, 2006 : No special resolutions passed |
| 34 th Annual General Meeting | : | 12 th December, 2005 : One special resolution 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 standards are given below:

i) List of related parties with whom transaction have 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 Fertilizer & Chemicals Limited : | |
|--|------------|
| Opening Balance | Rs. |
| Investment in Equity Share | 10,000,000 |
| Loans | 2,936,585 |
| Advance | Nil |
| Share application money | 300,000 |
| Transactions : | |
| Net movement in loans | Nil |
| Net movement in advance | 300,000 |
| Net movement Share application money paid | Nil |
| Subscriptions/Purchase of Equity Shares | Nil |
| Closing Balance : | |
| Investment in Equity Shares | 10,000,000 |
| Loans | 3,236,585 |
| Advances | Nil |
| Share application money | 300,000 |

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The PFCL project is not progressing pending sanction of Term Loan and settlement of land matters. In view of this Rs. 2707317 i.e. 20% on Equity Investment Rs. 10000000 and advance of Rs.3536585 (including Share Application Money) has been provided for in the books of Account.

B Key Managerial Personnel

Sri Om Prakash Tailor :

Remuneration & benefits as Managing Director Rs. 853,511

C Assam Industrial Development Corporation Ltd :

Payment of Dividend during 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.

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 |
|----------------|---------------------|----------------------|
| 2002-03 | 12.03.03 | April, 2010 |
| 2003-04 | 01.03.04 | April, 2011 |
| 2004-05 | 12.12.05 | January, 2013 |
| 2005-06 | 29.12.06 | January, 2014 |
| 2006-07 | 28.12.07 | January, 2015 |

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.

Book Closure Dates : Tuesday, 16th September to Tuesday, 30th September, 2008(both days inclusive).

37th Annual General Meeting : Tuesday, 30th September, 2008

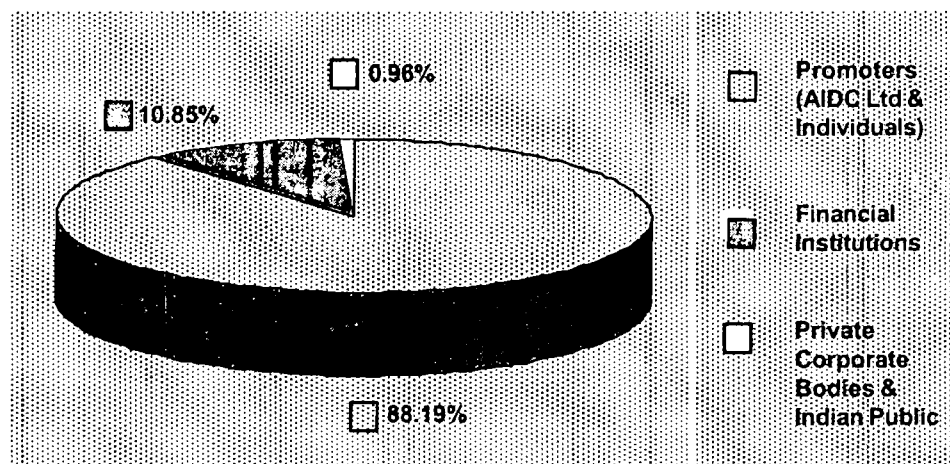
Venue: Registered Office at 4th Fl, Orion Place, Bhangagarh, G S Road, Guwahati 781 005

Time: 11 a.m.

Dividend Payment Date: 29th October, 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.

Website : www.assampetrochemicals.co.in

ASSAM PETROCHEMICALS LIMITED**ANNUAL REPORT, 2007-2008**Distribution of shareholding as on 31st March, 2008**Shareholding Pattern****Locations:****Factory/Head Office:**

P.O. Parbatpur, Namrup
 District Dibrugarh - 786 623
 E Mail: nrpapl@sancharnet.in
gmaplnru@bsnl.in

Registered Office:

4th Floor "Orion Place"
 Bhangagarh, G S Road
 Guwahati - 781 005
 Mail: aplguw@bsnl.in

Branch Offices:

Room No 2B, IInd Floor
 R D B Chamber, 106A S N Banerjee Road
 Kolkata 700 014
 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 : 27th August, 2008

O P Tailor
 Managing Director