

Annual Report



Assam Petrochemicals Limited

BOARD OF DIRECTORS

Nominees of Assam Industrial Development Corporation Ltd.



Shri Rameswar Dhanowar
Chairman



Shri Ravi Capoor, IAS
Director (w.e.f. 21.01.2009)



Shri H K Sharma, IAS
Director



Shri S P Nandy, IAS
Director

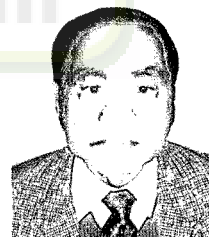
Independent Directors



Shri D N Barua
Director



Shri D Gohain
Director



Dr M N Borgohain
Director



Shri B K Sarma
Director (w.e.f. 09.11.2009)

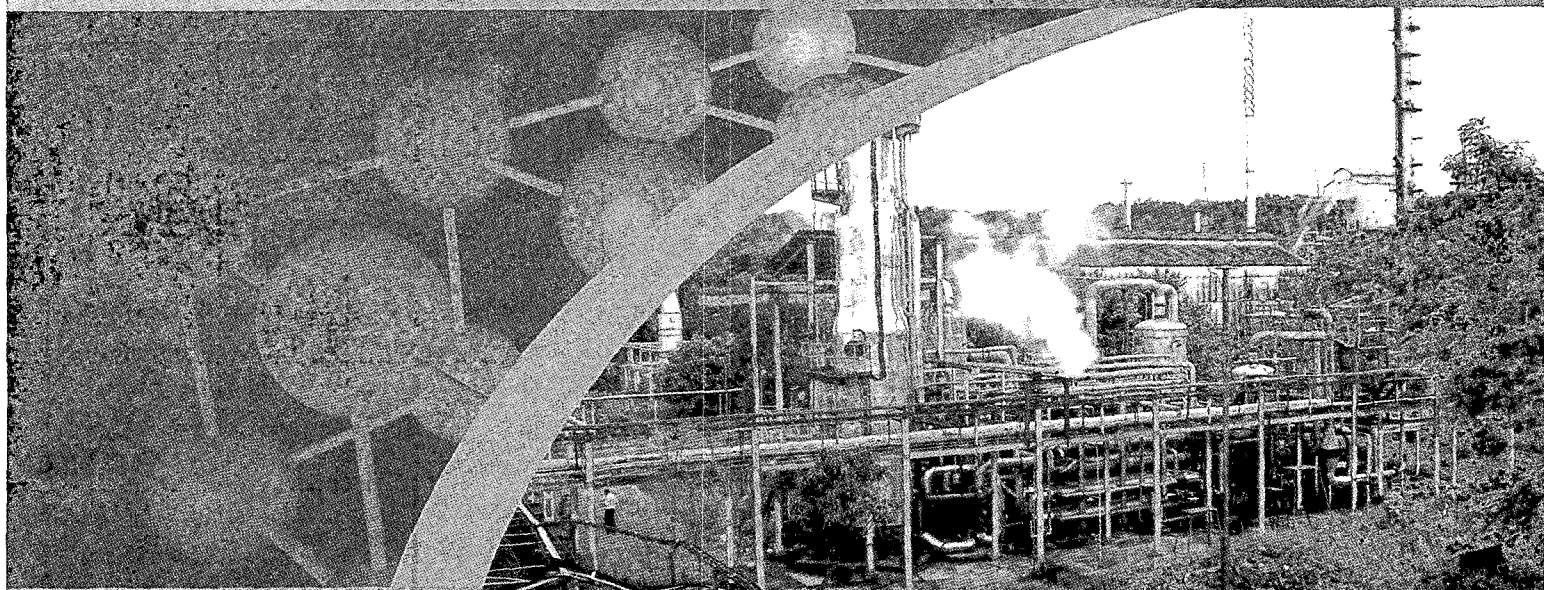


Shri A N Das
Director (w.e.f. 09.11.2009)

Whole time Director



Shri O P Tailor
Managing Director



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

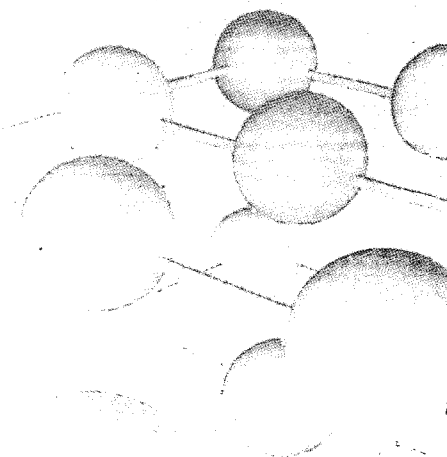
United Bank of India
State Bank of India
UCO Bank
ICICI Bank Ltd.
Axis Bank Ltd.

Registered Office

4th Floor, Orion Place
Bhangagarh, G. S. Road
Guwahati - 781005

Factory

Namrup, P.O. Parbatpur-786623
District - Dibrugarh, Assam



2008-09 Annual Report

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NOTICE

Notice is hereby given that the Thirty-eight 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 22nd day of December, 2009 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, 2009 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 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 H K Sharma, 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 article 128 of the articles of association of the company, section 314 and other applicable provisions of the Companies Act, 1956 and state government letter no. MI. 113/98/Pt/290 dated 17th July, 2009, approval of the members be and is hereby accorded to the continuation in service by Shri Om Prakash Tailor w.e.f. 02.08.2009 as Director not liable to retirement by rotation on the Board of Directors of the company and Managing Director of the company on the existing terms and conditions till a new appointee takes over charge of Managing Director of the company."

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 1,000/- 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 : 9th November, 2009

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 is a Director in 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 H K Sharma, IAS retires by rotation at the ensuing annual general meeting and being eligible, offers himself for reappointment. Shri H K Sharma is presently Managing Director of the holding company, Assam Industrial Development Corporation Ltd., Commissioner & Secretary to the Government of Assam, Public Enterprises Department and Social Welfare Department. He is a BE Engg. (Electrical) & ME Engg (Industrial Engineering & Management). He is the CMD of Assam State Textile Corporation Ltd., Chairman of Assam Syntex Ltd. & Prag Bosomi Synthetics Ltd., Director of Assam Weaving & Manufacturing Co. Ltd., Cachar Sugar Mills Ltd., Fertilchem Ltd., Industrial Paper (Assam) Ltd., Ashok Paper Mills Ltd., Assam Carbon Products Ltd., Pearl Lifeline Ltd., North East Mega Food Park Ltd. & Calcom Cements 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 Shankarlal Jain & Associates 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 17th June, 2008 approved an audit fee of Rs.45, 000/- p. a. for 3 years w.e.f 2008-09 subject to the approval of the members in general meeting.
6. The Register of Members and the share transfer books shall remain closed from Wednesday, 16th December, 2009 to Tuesday, 22nd December, 2009 (both days inclusive).



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Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Agenda Item 6

Shri Om Prakash Tailor was appointed as Managing Director of the company w.e.f. 02.08.2004 for a period of five years with initial term of 3 years and subject to renewal on yearly basis on his performance being found satisfactory in line with the practice followed by the central government. His appointment with terms and conditions was approved by the members in the annual general meeting held on 24.12.2004. His term of five years was completed on 1st August, 2009.

The post was advertised for appointment of a new Managing Director and the process of selection and appointment of new Managing Director by the Public Enterprises Selection Board, Government of Assam is under way. Since this would require some time, the Board of Directors in its meeting held on 24th July, 2009 approved the continuation of service by the present Managing Director, Shri O P Tailor w.e.f. 2nd August, 2009 till a new appointee takes over charge of Managing Director of the company. During this interim period, Shri O P Tailor will continue in service on the exiting terms and conditions. This has the approval of the state government vide letter no. MI. 113/98/Pt/290 dated 17th July, 2009 and is subject to approval of the members in general meeting.

All related documents/letters in this connection 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.

Except Shri Om Prakash Tailor, none of the Directors is interested in the appointment.

Agenda Item 7

Pursuant to the provisions of section 301 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.750/- 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.750/- vide special resolution dated 24th December, 2004. Under the circumstances, it was considered fair to enhance the sitting fees. It is proposed to increase the sitting fee to Rs.1000/- 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.1000/- 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.

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 a downtrend with the highest being in May, 2008 at \$440 per MT and ranged between \$135 to \$440/MT. After reaching the lowest at \$135 in January, 2009, there is now a slight improvement and the Methanol price at the time of this report stands at \$205-215. Further various measures including use of different mesh catalyst sizes, reduction in quantity of catalyst and lower operating reactor temperature along with thorough repairs and maintenance of the Formalin Plant in April and May 2008 have improved the plant's performance tremendously as under:

- The catalyst has given record production of Formalin and is still in operation.
- Production from the plant has improved on an average by 15%.
- Higher production of Formalin contributed to profitability particularly during this period of recession.

• 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. Unforeseen breakdowns may occur due to ageing. The cost of production is much higher on account of small capacity and the above factors. The company has been successfully capturing more share of the Formalin market and the total sale of the product was 30,075MT, which is higher than the previous year's sale of 26,977 MT. This year the company expects a further increase of 10% in the sale of Formalin. For increase of Methanol capacity by 30%, the present

allocation of natural gas would be sufficient. Increase in Methanol capacity will pay back in a short time of 2 years and the company would be able to stand in the critical period till the 500 TPD gas based Methanol plant with state of the art technology is installed and stabilized.

• Segment wise or product wise performance

(A) Capacity Utilization

Plants	2007-08	2008-09
100 TPD Methanol	95%	91% *
100 TPD Formalin	82%	79% **

*Less due to major shutdown of Circulator Motors.

**Production less due to major repairs after 10 years running of the plant.

• 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 in process for Government approval. 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%. Oil India Ltd. has also allocated total 0.50mmscumd of natural gas to set up a 500 tons per day Methanol plant. Further, a scheme to enhance production of the Formalin Plant from 100TPD to 125TPD is under implementation and shall be completed in one year's period. The synergy between APL, ASFC and PFCL is being examined based on a due diligence report recently completed by the Consultants with an objective of strengthening the company's business.

• 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 in the northeast. The company has to match the prices of competitors at customer point (who are close-by) by

2008-09 Report

bearing the huge cost of transportation. It is gathered that two Formalin plants are being set up in Vishakapatnam and shall be in production next year. This will pose serious competition to the Company. The company shall evolve the strategy to enhance capacity of Methanol and Formalin as already planned, which will help in reduction of cost and becoming competitive.

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 which is further 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 has been trying to utilize the manpower in the best manner with minimum recruitments. Expansion plan has been submitted to the State Govt. VRS is in force in the company. The company has been operating for more than 30 years. The company has inducted some young professionals to meet the future needs of the company and is reviewing the senior positions. Further, a senior technocrat has been appointed 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 10 Directors. The attendance particulars of these Directors during 2008-2009 are as below:

Name of Directors	Category	No. of Other Directorships Held	Attendance Particulars	
			Board Meetings	Last AGM
1. Shri Rameswar Dhanowar	Promoter/Non-Executive Directors (Nominated by holding company AIDC Ltd.)	-	4	Yes
2. Shri Ravi Capoor, IAS (Appointed w.e.f. 21.01.2009)		7	1	-
3. Shri H K Sharma, IAS		13	4	-
4. Shri SP Nandy		-	4	-
5. Shri DN Barua	Independent Non-Executive Directors	2	4	Yes
6. Shri D Gohain		2	4	-
7. Dr MN Borgohain		-	5	-
8. Shri AN Das (w.e.f. 09.11.2009)		-	-	-
9. Shri BK Sarma (w.e.f. 09.11.2009)		-	-	-
10. Shri OP Tailor, Managing Director	Whole-time-Directors	1	6	Yes

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Shri S P Nandy, IAS and Shri H Sonowal, IAS were reappointed as Directors liable to retire by rotation in the last annual general meeting dated 30th September, 2008.

Shri Ravi Capoor, IAS was appointed as Director liable to retire by rotation w.e.f. 21.01.2009 in the casual vacancy caused by the withdrawal of nomination of Shri H Sonowal by AIDC Ltd.

Shri A N Das and Shri B K Sarma were appointed as Additional Directors w.e.f. 09.11.2009.

Number of Board Meetings held and dates on which held

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

30.05.2008	20.09.2008
18.06.2008	01.12.2008
27.08.2008	21.01.2009

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 2009 to Managing Director is as follows:

Salary	Rs. 6,95,769.00
Ex-gratia	Rs. 25,000.00
Medical Expenses	Rs. 7,263.00
Personal Accident Policy	Rs. 1,000.00
Entertainment Expenses	Rs. 4,358.00
Co's contribution to ECPF	Rs. 80,916.00
Leave Travel concession	Rs. 51,420.00
Total :-	Rs. 8,65,726.00

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:

Net Operating Profit	Special ex-gratia
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. 13,500/-
Shri D Gohain	: Rs. 12,000/-
Dr M N Borgohain	: Rs. 12,000/-

Other details on Directors

Shri O P Tailor was appointed Managing Director for a period of 5(five) years w.e.f. 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. His term of five years was completed on 01.08.2009. As the process of selection and appointment of new Managing Director by the Public Enterprises Selection Board, Government of Assam is in process, the Board of Directors in its meeting held on 24.07.2009 approved the continuation of service by the present Managing Director, Shri O P Tailor w.e.f. 02.08.2009 till a new appointee takes over charge of Managing Director of the company. This has the approval of the state government and is subject to approval of the members in general meeting.

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

3. Audit Committee:

The Audit Committee of the Board comprises of the following members:

- Shri D N Barua, Chairman
- Shri D Gohain
- Dr M N Borgohain
- 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



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Act and clause 49 of the listing agreement with the stock exchanges.

Six meetings of the committee were held during 2008 – 2009 on 21.04.2008, 17.06.2008, 14.10.2008, 01.12.2008, 20.01.2009 & 31.03.2009. Details of attendance of members of the Audit Committee is as follows:

Name of member	Status	No. of meeting attended
Shri D N Barua, Chairman	Chairman	6
Shri D Gohain	Member	4
Dr M N Borgohain	Member	6
Shri O P Tailor	Member	6

4. Shareholders' Grievance Committee

The Shareholders' Grievance Committee comprises of two non-executive independent Directors and the Managing Director as follows:

- Shri D N Barua, Chairman
- Dr M N Borgohain, Director
- 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:

- 37th Annual General Meeting : 30th September, 2008: No special resolutions passed
- 36th Annual General Meeting : 28th December, 2007: One special resolution passed
- 35th Annual general Meeting : 29th December, 2006 : No 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 Accounts 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 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	3,236,585
Advance	Nil
Share application money	3,00,000
Transactions :	
Net movement in loans	Nil
Net movement in advance	Nil
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

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. 8,65,726

C Assam Industrial Development Corporation Ltd :

Payment of Dividend during the year	Rs.80,41,540
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- b. Details of non-compliance by the company, penalties, strictures imposed by the Stock Exchanges or SEBI, or