



39th ANNUAL REPORT

2009-10

ASSAM PETROCHEMICALS LIMITED
Regd. Office : 4th FLOOR, ORION PLACE, BHANGAGARH
G. S. ROAD, GUWAHATI - 781005

Board of Directors

- | | | | |
|-----|----------------------------------|---|--|
| 1. | Shri Rameswar Dhanowar, Chairman | } | Nominees of Assam Industrial
Development Corporation Ltd. |
| 2. | Shri Ravi Capoor, IAS | | |
| 3. | Shri S.P. Nandy, IAS | | |
| 4. | Dr. J. Balaji, IAS | | |
| 5. | Shri D.N. Barua | } | Independent Director |
| 6. | Shri D. Gohain | | |
| 7. | Dr. M.N. Borgohain | | |
| 8. | Shri A.N. Das | | |
| 9. | Shri B.K. Sarma | } | Managing Director |
| 10. | Shri Ratul Bordoloi | | |

Audit Committee

1. Shri D. N. Barua, Chairman
2. Shri D. Gohain
3. Dr. M. N. Borgohain
4. Mr. R. Bordoloi

Company Secretary

CS. Uttam Bailing

Share Transfer Agent

C. B. Management Services (P) Ltd.
P-22, Bondel Road, Kolkata-700019

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, Assam-781 005

Factory

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

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Management Discussion and Analysis Report

• Industry Structure and Developments

The company is engaged in the manufacture and marketing of two versatile industrial petrochemical products i.e. methanol and formaldehyde. The profitability of the company is largely dependent on the price of methanol in the international market which has direct impact on domestic price of methanol. The price of methanol in the international market plummeted to the lowest level of \$ 135/ton in the beginning of the year 2009 and since then it is now on recovery and has now reached the level of \$ 375/ton. As regards production from the plant, there was an unfortunate event of failure of the Reformer tubes in the synthesis gas generation section of the plant in July '10 which caused a prolong down-time of the plant. The plant was put back into operation by repair of a part of the damaged tubes and the plant is presently operating at reduced load till the entire set of the reformer tubes is totally replaced for which procurement action for a complete set of the tubes is in progress.

• Opportunities and Threats :

The existing methanol plant is 22 years old and needs major replacements to keep the plant in healthy operating condition and to avoid break down due to ageing. The cost of production is high due to low capacity of the plant with old technology resulting in high energy consumption and high fixed cost per ton of product. The present trend in the price of methanol in the international market which is on the rise is a very encouraging development for the company and the company's profits are going to rise. The price of formalin is also dependent on the price of methanol. The company earns more profit by converting methanol to formalin in the formalin plant. The company is implementing a revamp scheme for increasing the present capacity of formalin plant by 25% to achieve more profit by converting more methanol to formaldehyde.

• Outlook :

The company is embarking upon a massive expansion and diversification scheme by implementing a 500 TPD new methanol plant along with a downstream plant of value

added product for production of 200 TPD Acetic Acid at a capital investment of around Rs. 1000 crore. M/s Oil India Ltd. has since given the commitment for the supply of the requisite quantity of Natural Gas for the envisaged new plants. Participation of Central P.S.U. giant like M/s O.I.L. and also NRL is envisaged in the Methanol-Acetic Acid project based on the very positive responses received from these organizations while taking up the issue with them. Availability of capital investment subsidy amounting to 30% on the erected cost of the plant and machines under NEIIPP thus bringing down capital requirement for the project and very high profitability of Acetic Acid plant will convert APL into a very profitable and giant petrochemical complex in the entire N.E.

• Risks and Concerns

Non availability of adequate markets in the nearby region in the N.E. for the products of the company is the biggest disadvantage for the company. The products are to be transported at heavy cost to the far-off markets at Eastern, Northern and Southern parts of the country heavily eroding the profitability. Further there is stiff competition for the products due to availability of number of small and big manufacturers in respect of formalin and availability of imported methanol. While the demand of both methanol and formalin in the country is constantly on the rise, domestic production is also rising due to setting up of new plants specially for formalin. The company has to thrive hard to keep the price of the products competitive in the market. Constant endeavour to improve efficiency in all fronts and cut down cost is imperative for the company. Revamp of formalin plant for increasing the capacity and implementation of the expansion and diversification scheme will put the company on very strong footing and the company will earn handsome project.

• Internal Control Systems and Their Adequacy

The company has an effective internal control system which is further strengthened by conducting internal audit by outside expert firms.

- Discussion on Financial Performance with respect of Operational Performance

The financial performance of the company for the Financial Year 2009-10 is discussed in details in 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 available man power in the most effective manner to improve production and productivity with minimum recruitments.

The company has been including young professionals during the last few years such that the strength of the qualified technical persons in the technical disciplines does not get depleted. Induction in the intake level is planned to be increased in the future with the implementation of the expansion and diversification scheme undertaken by 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 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

As on this report date there are 10 members on the Board of the Company. The attendance particulars of the Board members are given in the following table.

Name of Directors	Category	Nos. of Other Directorship Held	Board Meetings attended		Last AGM attended
			No	%	
1. Shri Rameswar Dhanowar	Category Promoter/Non-Executive Director	NIL	7	100	Yes
2. Shri Ravi Capoor, IAS		10	3	42	No
3. Shri S.P. Nandy, IAS		NIL	5	71	No
4. Dr. J. Balaji, IAS (w.e.f. 08.03.10)		14	1	100	NA
5. Shri H. K. Sharma (upto 08.03.10)		-	1	16	No
6. Shri D. N. Barua	Independent Director	2	7	100	Yes
7. Shri D. Gohain		2	7	100	Yes
8. Dr. M.N. Borgohain		NIL	6	85	Yes
9. Shri A.N. Das		NIL	1	50	No
10. Shri B.K. Sarma		NIL	2	100	No
11. Shri O.P. Tailor (upto 14/03/10)	Whole Time Director	-	6	100	Yes
12. Shri Ratul Bordoloi (w.e.f. 10.09.10)		NA	-	-	NA

Mr. D.N. Barua and Mr. H.K. Sharma, IAS were reappointed in the last Annual General Meeting held on 22/12/2009. Dr. J. Balaji, IAS liable to retire by rotation was appointed as Director of the Company with effect from in place of Mr. H. K. Sharma, IAS

Number of Board of Directors Meeting held and their dates

Seven Board of Directors Meeting were held during the year 2009-10 on the following dates

Sl. No.	Date of Meeting
1.	7th April, 2009
2.	30th June 2009
3.	27th July, 2009
4.	8th September, 2009
5.	9th November, 2009
6.	10th February, 2010
7.	12th March, 2010

The gap between two consecutive Board meetings never exceeds three months during the Financial Year under review.

Details of remuneration paid to all Directors for the year:

The Value and perquisite paid for the year ended 31st March, 2010 to Managing Director as follows:

Salary	Rs. 7, 27,585/-
Bonus & Ex-gratia	Rs. 25,000/-
Personal Accident Insurance Scheme	Rs. 1,103/-
Medical Expenses	Rs. 4,152/-
Co's Contribution to ECPF	Rs. 86,070/-
Entertainment Expenses	Rs. 11,000/-
Leave Travel Concession	Rs. 56,569/-
Total	Rs. 9, 11,479/-

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

- a) Where the company earns net profit of Rupees One Crore and above, special ex-gratia as under

Net Profit	Special Ex-Gratia
Rs. 1 Crore to less than Rs. 2 Crore	Rs. 15000/-
Rs. 2 Crore to less than Rs. 3 Crore	Rs. 20000/-
Rs. 3 Crore and above	Rs. 25000/-

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/- had been paid to all the Non-Executive Directors except the nominee directors of the Assam Industrial Development Corporation Ltd. up to the date of ., 2009 after that the Sitting Fee was enhanced to Rs. 1000/-. The sitting fee paid during the year to the Directors is as follows:

1.	Shri D.N. Barua	Rs. 15000/-
2.	Dr. M. N. Borgohain	Rs. 14750/-
3.	Shri D. Gohain	Rs. 19500/-
4.	Shri B. K. Sarma	Rs. 4000/-
5.	Shri A. N. Das	Rs. 3000/-

Audit Committee

The Audit Committee Comprises of the following members

- Shri D. N. Barua, Chairman
- Shri D. Gohain
- Shri M.N. Borgohain;
- Mr. O.P. Tailor; (upto 14/03/2010) and
- Shri Ratul Bordoloi (w.e.f 10/09/2010)

The Audit Committee of the company works as per the provisions of Section 292A of the Companies Act, 1956 and the Clause 49 of the Listing Agreements entered with the Stock Exchanges. During the Financial year the Committee were set for three times on the following dates

- 23rd of July, 2009
- 08th September, 2009
- 06th of January, 2010

Shareholders' Grievance Committee:

To redress and oversee the grievance received from the shareholders from time to time and to approve the transfer and transmission of shares, your company has constituted a committee called "Shareholders' Grievance Committee". The committee comprises of the following members of the Board.

- Shri D. N. Barua Chairman
- Dr. M.N. Borgohain; Director and
- Mr. Ratul Bordoloi Managing Director

CS. Uttam Bailung, Company Secretary of the Company is the Secretary of the committee. He is also the Compliance Officer of the Company as per the Listing Agreement entered with the Stock Exchanges.

No shareholders grievance or share transfer is lying unaddressed as on this date.

In addition to above, the Board has formed from time to time various committees namely Marketing Committee,

Project Committee and Promotion and Personnel Committee.

General Body Meetings

The details of General Body Meetings held in the last three years are given below

General Body Meeting	Day and Date	Time	Venue
36th AGM	Friday, 28th Dec, 2007	11.00am	Conference Hall of Registered Office, Guwahati
37th AGM	Friday, 30th Sep, 2008	11.00am	Conference Hall of Registered Office, Guwahati
38th AGM	Tuesday, 26th Dec, 2009	11.00am	Conference Hall of Registered Office, Guwahati

Special Resolution: The company passed one special resolution in the 36th annual General Meeting of the Company held on the 28th December, 2007. By the special resolution the approval was accorded to pay honorarium and perks to the Chairman.

There was no special resolution passed on the 37th AGM of the Company held on the 30th September, 2010 Friday. Two special resolutions were passed on the 38th AGM of the company held on Tuesday, 26th December 2009. By that resolutions the approval were accorded for extension of service of Managing Director of the company for a period until new Managing Director is appointed and altered the

Articles of Association for enhancing the director's sitting fee from Rs. 750/- to Rs. 1000/- for attending the Board meeting and the meeting of the committees thereof.

General Shareholder Information

Listing: The shares of the company are listed in the stock exchanges at Guwahati and Mumbai. However, the shares didn't quoted during the last financial year.

Financial Year: 1st day of April to 31st day of March of the following year.

Book Closure Dates:

39th Annual General Meeting: 31st December, 2010, Friday at 11: 00 am

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

Time: 11:00 am

Dividend Payment Date: Monday, 20th of January, 2010
Share Transfers are done in house. Subject to the documents are being valid and complete, share transfer are processed and share certificates returned within 15-20 days. However your company has appointed M/s C.B. Management Services (P) Ltd., Kolkata as Registrar and Share Transfer Agent with effect from 1st of March, 2010. Any shareholders grievances/quarries/complaints/share transfer documents may please be directly communicated with our Registrar and share Transfer agent in their following address

M/s C.B. Management Services (P) Ltd.

P-22, Bondel Road, Kolkata-700 019
E-mail: cbmsl1@cal2.vsnl.net.in

Website: www.assampetrochemicals.co.in
Locations:

Factory/Head Office

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

Registered Office

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

Branch Office

Room No. 2B, IInd Floor
RDB Chamber, 106A, S.N. Banerjee Road
Kolkata-700014

Fiat No. 3C

Kalyani Apartments
Sevak Road, Siliguri

Directors' Report

To,
The Shareholders

Your Directors have pleasure to present the Directors' Report for the Financial Year 2009-2010 along with the Audited Annual Accounts for the year ending on March 31, 2010.

The summary of the financial results of the Company as on 31st March 2010 as well as 31st March 2009 are given below.

Financial Results:

(Rupees in Lacs)

Particulars	2008-09	2009-10
Sales and Other Income (inclusive of taxes and duties)	6258.79	6138.645
Gross Profit	935.07	658.06
Less : Depreciation	128.83	134.41
Interest	3.71	0.30
Profit for the year before tax and extraordinary items	802.53	523.34
Extraordinary Item- Transport subsidy	138.83	-
Adjustment of prior period	167.40	(15.45)
Provision for taxation	584.53	228.96
Profit for the year after Taxation	524.23	278.93
Income Tax Refund received for the earlier years	0	0
Balance brought forward from previous year	800.01	417.53
Amount available for appropriation	1324.25	696.46
Appropriations:		
a. Transferred to General Reserve	800.01	417.53
b. Proposed dividend	91.20	91.19
c. Tax on dividend	15.5	15.50
Balance carried to Balance sheet	417.54	172.23
Earning Per Share (EPS) (in Rs.)	5.75	3.06

Operations:

The year under review your company has produced highest methanol in its 33 years of commercial production history. During the year 2009-10 your company achieved 102% capacity utilization against 92% in the immediate previous year. As far as the production of Formalin is concerned, your company achieved 95% of its capacity utilization against the 79% in the previous year. The full capacity utilisation of the Formalin Plant could not achieved due to aging of the catalyst during the last quarter of the year.

PLANT	PRODUCTION (MT)	
	2009-10	2008-09
Methanol-II	33759	30203
Formalin-II	31443	26183
Capacity Utilization of Plants:		
Methanol-II	102%	92%
Formalin-II	95%	79%

To maximise the sale of Formalin your company appointed a Conversion Agent to convert Methanol to Formalin in Raninagar, West Bengal in April, 2008. The Capacity of conversion of that unit is 30TPD. During the year this unit produced 6908 MT of Formalin and sold 6932 MT from that unit.

The total receipts during the year 2009-10 from the Raninager conversion plant is Rs. 8,05,62,786/- in comparison with Rs. 6,40,78,170/- of the year 2008-09. The profit earned from this unit is Rs. 1.39 crore.

Sales:

Your company maintained uninterrupted supply of both the Methanol and Formaldehyde to its valued customers. During the year 2009-10 the company achieved turnover of Rs. 50.42 crore (previous year Rs. 49.79 Crore) net of taxes and duties. Your company has been selling the products (both Methanol as well as the Formalin) in North Eastern Region, West Bengal, Bihar, Orissa, Madhya Pradesh and exported a substantial amount to neighbouring countries Nepal, Bangladesh and Bhutan. Your directors have been exploring the market within the country and also planning to increase export Methanol and Formalin to Bangladesh, Nepal and Bhutan.

The pricing of Methanol is depending on its international price, any change in the exchange rate or other macro-economic factor directly affects in the sale price of your product.

The Highlights of sales in the year 2009-10 with comparison with the figure of 2008-09 are as follows

Area	FORMALIN (MT)	
	2008-09	2009-10
North Eastern Region	4067.11	5065.21
Bhutan	1524.72	1849.25
North Bengal	5066.40	5920.89
South Bengal	7963.72	8894.23
Purnea/ Adjacent Area	1399.85	2915.91
Patna	8664.94	12291.40
Orissa/ MP/ South Bihar	217.07	200.04
Nepal and Bangladesh	1171.07	1771.97
Total	30074.88	38908.9
Area	METHANOL (MT)	
	2008-09	2009-10
North Eastern Region	1185.45	1214.58
West Bengal & Bihar	1224.21	3699.05
North India	10219.88	9172.07
Export	1790.52	954.22
Total	14420.06	15039.92

Project & Development:

On receipt of confirmation from M/s Oil India Limited for supply of Natural Gas (NG) of 0.5mmscum to APL, your directors have decided to set up a 500 TPD Methanol Plant at Namrup. The requisite Techno Economic Feasibility Report (TEFR) was also obtained from project consultant M/s FEDO. To finance this project, your company had organised a meeting with the prospective investors like Oil India Limited, Numaligarh Refinery Limited (NRL) North East Development Finance Corporation Ltd. (NEDFi) on the behest of the Hon'ble Industries Minister, Govt. of Assam. Your Directors further decided to set up 200 TPD Acetic Acid plant with a provision to integrate with 500 TPD Methanol Plant. Your company is currently taking appropriate steps to prepare TEFR for the 200 TPD Acetic Acid Plant which to be integrated with the 500 TPD Methanol Plant at the final stage.

The proposed integrated Methanol and Acetic Acid Plant to be set up near the existing project site of the company. Your Board has already identified the proposed project site and the land acquisition works are under progress. Keeping in view on the implementation of 500 TPD Methanol Plant, enhanced project cost and escalation of the price of the Natural Gas your Directors have decided to discontinue the revamping of the existing 100 TPD Methanol Plant.

Revamping of the Formalin -II plant is in progress. Almost all the mechanical, electrical and instrumentation items required have been received except a few. The civil works of the revamping formalin project are completed considerably. The price bid of the composite mechanical/electrical /instrumentation erection works of the Formalin -II revamping will be opened shortly. Mechanical completion of Formalin -II is expected to be completed in the month of January 2011.

Dividend:

Your Directors have in their meeting held on 30th September, 2010 recommended a dividend of 10% on equity share of the company for the Financial Year 2009-10.

Directors:

Assam Petrochemicals Ltd. has a broad based Board of Directors, constituted in compliance with the Clause 49 of the listing agreement entered with the Stock Exchanges

and the directions of the State Government received from time to time. Mr. D. N. Barua and Mr. H. K. Sharma, IAS were reappointed as Directors of the Company in the last Annual General Meeting subsequently Shri H.K. Sharma, IAS was replaced by Dr. J. Balaji, IAS with effect from 10th of February, 2010 by the holding company Assam Industrial Development Corporation Ltd.

Shri Ratul Bordoloi has joined the company as Managing Director on the 10th of September, 2010 for initial period of three year which may be extended for such period as the Government of Assam Considers fit but not exceeding cumulative period of 5 years subject to his performance during his initial tenure. In this context, a resolution has been forwarded to you for your approval in the ensuing Annual General Meeting.

Shri Rameswar Dhanowar, Shri Dhireswar Gohain and Dr. M. N. Borgohain are retiring in the ensuing Annual General Meeting and are eligible for reappointment.

Auditors:

Pursuant to section 619 (2) of the Companies Act, 1956 the Comptroller and Auditor General of India appointed M/s S. Ganguli & Associates, Kolkata as a statutory auditor of the company for the Financial Year 2010-11.

Human Resource:

Your Board of Directors believe that the human resources are the key drivers of sustainable growth and development of any organisation. Keeping that in mind your directors have been focusing on the enhancing knowledge and skills of the employees of the company. During the year under review couple of in-house training programmes were organised and total 31 nos of employees attended in the programmes. Your company also send their employees for outside training to promote their knowledge and skills. During the year under review 10 employees were send for such training programme. As on 31st day of March, 2010 there were total 403 nos of employees were on the roll of the company.

Industrial Relations:

Your company continuously maintain a peaceful and harmonious relationship between the management and the workers of the company. All the issues that were raised by the Workers' union of the company were resolved in transparent manner through bi-lateral discussion from time

to time. There was not a single incident of industrial unrest during the year 2009-10.

None of the employees of the company received remuneration requiring disclosure of particulars under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Energy Conservation, Technology Absorption and foreign exchange Earning and Outgo:

The additional information in respect of the energy conservation, technology absorption and foreign exchange earnings and outgo, as required by the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988 is set out in the statement annexed hereto as Annexure 'A'.

Particulars as to Subsidiary:

The Company has made an application under section 212 of the Companies Act, 1956 to the Central Government seeking exemption from the provision of the said section as the final accounts of the subsidiary, M/s Pragjyotish Fertilizers & Chemicals Ltd. (PFCL) for the year ending 31st March, 2010 are yet to be finalized. The Central Government's reply to the application is awaited. As soon as the accounts of the subsidiary are received, they shall be circulated to the shareholders of Assam Petrochemicals Ltd.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956

Responsibility in relation to financial Statements

The financial statements have been prepared in conformity, in all material respects, with the generally accepted accounting policies in India and the applicable Accounting Standards in a consistent manner and supported by reasonable and prudent judgments and estimates. The Directors believe that the financial position as on 31.03.2010 and the results of operations for the financial year ended 31.03.2010 reflects the true and fair view of state of affairs of the Company. The Books of Accounts have been audited by M/s S. Ganguli & Associates, Chartered Accountants in accordance with the generally accepted auditing and Accounting Standards.