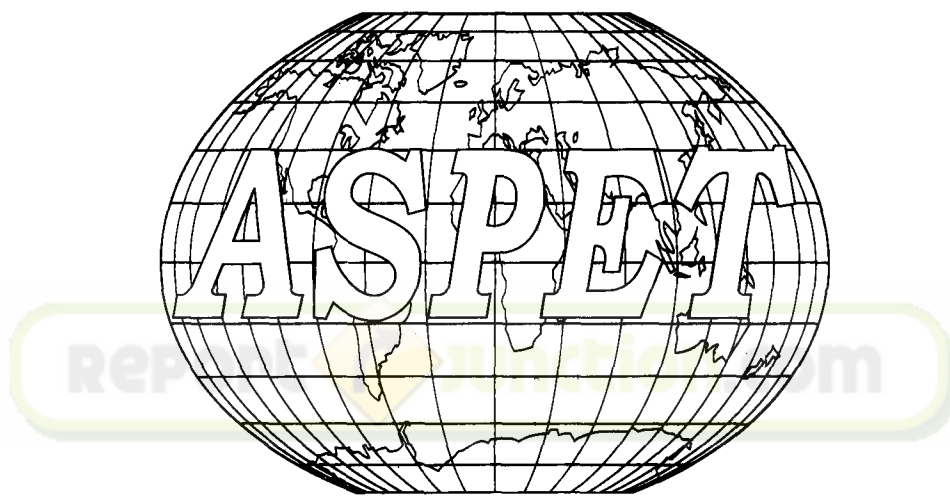


# Annual Reports Library

ANNUAL REPORT 2001-2002



**South Asian Petrochem Limited**

# Annual Reports Library

SOUTH ASIAN PETROCHEMICALS LIMITED

## BOARD OF DIRECTORS

P. K. KHAITAN, *Chairman*  
C. K. DHANUKA, *Vice Chairman*  
C. P. PHILLIP, *Nominee of IDBI*  
T. K. RAY, *Nominee of IFCI*  
GOPAL KRISHNA, *Nominee of WBIDC*  
S. L. DHANUKA  
J. P. KUNDRA  
H. P. BREITENBACH  
DR. S. KAPUR, *Alternate Director*  
Y. F. LOMBARD  
P. MURARI  
D. ATAL, *Executive Director*  
B. CHATTOPADHYAY, *Executive Director (Technical)*

## VICE-PRESIDENT (FINANCE)

R. K. DALMIA

## A. V. P. (FINANCE) & CO. SECRETARY

R. K. SHARMA

## AUDITORS

LODHA & COMPANY  
*Chartered Accountants*

## BANKERS

BANK OF BARODA  
STATE BANK OF INDIA  
IDBI BANK LTD.  
DEUTSCHE BANK

## REGISTERED OFFICE

"DHUNSERI HOUSE"  
2nd Floor  
4A, Woodburn Park  
Kolkata-700 020

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SO THASIA PETROCHEMICALS LTD.

## **DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting the Sixth Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2002.

### **FINANCIAL RESULTS**

As the project is under implementation, no Profit & Loss Account has been prepared. The Company has prepared its Balance Sheet as on 31st March, 2002 with a Statement of Pre-operative Expenditure till that date, which would be capitalised on completion of the project.

### **PUBLIC ISSUE**

The Company received a sum of Rs. 74.50 crores from the maiden Public Issue of Equity Shares and 14% Fully Convertible Debentures made during the month of December 2001.

### **PROJECT PROGRESS**

The Effective Date of the Project, commenced on 27.02.01. The progress of implementation is as per schedule and the commercial production is expected to start in the month of August, 2003. Itemwise percentage completion for major activity as on 31.03.2002 is reproduced hereunder :

1. Engineering	--	92.80%
2. Procurement	--	84.40%
3. Manufacturing	--	70.20%
4. Delivery at site	--	56.30%
5. Construction	--	35.69%
6. Overall	--	65.01%

### **MARKETING PLAN**

The Company has entered into marketing arrangements with HELM AG and POLYTRADE GMBH (Subsidiary of Zimmer AG), two well known and reputed German Trading houses, ensuring continuous off-take of its product at international prices. Moreover, the demand in Domestic market is also showing a healthy growth due to its wider applications in packaging of food items and beverages.

The Company has also initiated direct dialogues with some major international buyer and the response from these key customers is encouraging.

The Company has also applied to the Registrar of Trade Marks for registration of its Trade Mark "ASPET".

### **CONSERVATION OF ENERGY**

Your Company, consultants and collaborators are committed for conservation of energy to the maximum extent possible by designing the Plant, Machineries, Equipment and various other utilities in the most efficient manner.

### **TECHNOLOGY ABSORPTION**

The technologies being adopted by your Company for the various processes and utilities are most modern and State-of-the Art. For the proper absorption of various technologies, your Company has ensured that the relevant input requirements from the collaborators including training of personnel at similar plants are made available. During the year Technical personnel of your Company underwent extensive Training Programme organised by Zimmer AG in Germany and Spain. Your Company has also ensured that the collaborators and consultants shall provide, on a continuous basis, various new developments in the product and technology upgradation know-how.

### **FOREIGN EXCHANGE RECEIPT/OUTGO**

During the year under review, the Company has paid a sum of Rs. 1,80,64,65,678 towards purchase of Equipment ; Rs. 14,21,58,467 towards Know-how & Engineering cost ; Rs. 1,93,11,305 towards Technical Assistance to Zimmer AG of Germany. The Company also incurred an expenditure of Rs. 82,00,921 toward interest on Foreign Currency loans availed from Bank and Financial Institutions and spent a sum of Rs. 34,06,963 towards Foreign Travel.

The Company received a sum of Rs. 4,75,00,000 from Arabella Asia Pte. Ltd. as contribution towards 14% Fully Convertible Debentures issued by the Company.

# Annual Reports Library

SOUTH ASIA PETROLEUM LIMITED

## DIRECTORS' REPORT (Contd.)

### AUDITORS

Messrs Lodha & Company, Chartered Accountants, retire on the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment. Since the provisions of Section 224A are applicable to the Company, their re-appointment is proposed by way of a Special Resolution.

### DIRECTORS

Mr. Gopal Krishna, I.A.S. has been nominated by West Bengal Industrial Development Corporation Ltd., on the Board of Directors of the Company w.e.f. 14.03.2002. Your Directors welcome Mr. Krishna on the Board.

Mr. Tarun Kumar Ray has been nominated by IFCI Limited in place of Mr. Ram Gopal Nirmal, on the Board of Directors of the Company w.e.f. 21.03.2002. Your Directors welcome Mr. Ray on the Board.

Mr. P. Murari, I.A.S., Director of your Company is retiring at this Annual General Meeting by rotation and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment.

Mr. J. P. Kundra, Director of your Company is retiring at this Annual General Meeting by rotation and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment.

Mr. C. K. Dhanuka, Director of your Company is retiring at this Annual General Meeting by rotation and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment.

Mr. D. Atal, Director of your Company is proposed to be re-appointed as Executive Director of the Company for a period of 3 (Three) years on the Terms and Conditions as set out in the Agreement proposed to be entered into between the Company and Mr. Atal.

Mr. B. Chattopadhyay, Director of your Company is proposed to be re-appointed as Executive Director (Technical) of the Company for a period of 3 (Three) years on the Terms and Conditions as set out in the Agreement proposed to be entered into between the Company and Mr. Chattopadhyay.

During the year Mr. D. P. Patra, resigned from the Directorship of the Company w.e.f. 31.12.2001. The Board wishes to record its sincere appreciation for the valuable services rendered by him during his tenure in office.

During the year Mr. R. G. Nirmal was nominated on the Board of Directors of the Company by IFCI Ltd. w.e.f. 24.09.2001 and subsequently his nomination was withdrawn w.e.f. 21.03.2002. The Board wishes to record its sincere appreciation for the valuable services rendered by him during his tenure in office.

Mr. J. H. T. Meyer, nominee of Zimmer AG, resigned from the Directorship of the Company w.e.f. 29.07.2002. The Board wishes to record its sincere appreciation for the valuable services rendered by him during his tenure in office. In place of Mr. Meyer, Zimmer AG has nominated Mr. H. P. Breitenbach as Director. The Board on 29.07.2002 has appointed Mr. H. P. Breitenbach as Director in the Casual Vacancy caused by the resignation of Mr. Meyer.

### DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures ;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the Financial year and of the profit or loss of the company for that period ;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) that the Directors had prepared the annual accounts on a going concern basis.

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## DIRECTORS' REPORT (Contd.)

### CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Corporate Governance and Management Discussion and Analysis Report are set out as separate Annexures to this report.

#### ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation for the whole-hearted support received from The Industrial Finance Corporation of India Ltd., Industrial Development Bank of India, EXIM Bank of India, Bank of Baroda, West Bengal Industrial Development Corporation, Reserve Bank of India, State Bank of India, Haldia Development Authority, Office of District Magistrate of Midnapore, West Bengal Pollution Control Board, West Bengal State Electricity Board, Ministry of Environment & Forest, Zimmer AG of Germany, Lurgi India Company Limited of New Delhi, Jacobs H & G Limited of Bombay, Dhunseri Tea & Industries Ltd., employees and all others associated with the Project.

For and on behalf of  
The Board of Directors

Place : Kolkata  
Dated : 29th July, 2002

P. K. KHAITAN  
Chairman

### Annexure to the Directors' Report

Statement of Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2002.

Sl. No.	Name of Employee	Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Post held	Name of previous employer	% of Equity shares held
1.	Mr. D. Atal	52	Executive Director	1656701	B Com	Over 33 years	09.09.2000	Managing Director	Rossell Industries Ltd	0.05

- Note : 1. Remuneration includes value of perquisites under the Income Tax Act, 1961.  
2. The above appointment is contractual and the conditions of employment are governed by rules and regulations of the Company.

### CORPORATE GOVERNANCE

(As required by Clause 49 of the Listing Agreement with the Stock Exchanges)

#### 1. Company's Philosophy

The Company has consistently endeavoured to practice good Corporate Governance. The Company recognises communication as a key element of the overall Corporate Governance framework, and therefore emphasises continuous, efficient and relevant communication to all external constituencies.

#### 2. Board of Directors

The Board comprises of a Chairman and a Vice-Chairman who are Non-Executive Directors and two Executive Directors. There are eight other Non-Executive Directors including three Nominee Directors.

The Company did not have any pecuniary relationship or transactions with the Non-Executive Directors during the year under review.

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SOUTH ASIAN PETROLEUM LIMITED

A management discussion and analysis report, which forms a part of this annual report, is given by means of a separate annexure and is attached to the Director's Report.

During the year under review five Board Meetings were held on 15.06.2001, 28.09.2001, 23.11.2001, 18.12.2001 and 25.01.2002.

None of the Directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are Directors.

The composition of Directors and the attendance at the Board Meetings held during the year under review and the last Annual General Meeting as also number of other directorships and Committee memberships are given below :

Sl No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Last AGM attended	No. of other Directorships	No. of Committee Memberships	No. of Committee Chairmanships
1.	Mr. P. K. Khaitan	Chairman Independent & Non-Executive Director	4	No	15 (3 Pvt. Ltd. Co.)	7	5
2.	Mr. C. K. Dhanuka	Vice-Chairman Promoter & Non-Executive Director	4	Yes	13 (2 Pvt. Ltd. Co.)	8	1
3.	Mr. S. L. Dhanuka	Promoter & Non-Executive Director	3	Yes	12 (2 Pvt. Ltd. Co.)	1	—
4.	Mr. D. Atal	Executive Director	5	Yes	1	1	—
5.	Mr. B. Chattopadhyay	Executive Director	4	Yes	—	—	—
6.	Mr. P. Murari	Independent & Non-Executive Director	1	No	12 (1 Pvt. Ltd. Co.)	7	2
7.	Mr. J. P. Kundra	Independent & Non-Executive Director	4	No	8	10	2
8.	Mr. J. H. T. Meyer (Alternate Director Dr. Sudhir Kapur) (Resigned w.e.f. 29.07.2002)	Promoter & Non-Executive Director	— 4	No No	— 1	— —	— —
9.	Mr. Y. F. Lombard	Independent & Non-Executive Director	—	No	4	—	—
10.	Mr. C. P. Phillip	Independent & Non-Executive Director Nominee of IDBI	2	No	1	1	—
11.	Mr. Gopal Krishna (Appointed w.e.f. 14.03.2002)	Independent & Non-Executive Director Nominee of WBIDC	—	N.A.	4 (1 Pvt. Ltd. Co.)	—	—

12.	Mr. T. K. Ray (Appointed w.e.f. 21.03.2002)	Independent & Non-Executive Director Nominee of IFCI Ltd.	—	N.A.	3	2	—
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Directors who relinquished office/ceased during the year under review :

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Last AGM attended	No. of other Directorships	No. of Committee Memberships	No. of Committee Chairmanships
1.	Mr. D. P. Patra (Resigned w.e.f. 31.12.2001)	Independent & Non-Executive Director Nominee of WBIDC	—	No	12 (1 Pvt. Ltd. Co.)	—	—
2.	Mr. R. G. Nirmal (Appointed w.e.f. 24.09.2001 & Resigned w.e.f. 21.03.2002)	Independent & Non-Executive Director Nominee of IFCI Ltd.	4	No	3	—	—

### 3. Audit Committee

The Company has constituted an Audit Committee, comprising of four Non-Executive Directors out of which three are Independent Directors.

During the year two Audit Committee meetings were held on 15.06.2001 and 28.09.2001. For the purpose of reviewing the annual financial statements for the year ended 31st March, 2002 the Committee met on 24.05.2002.

Sl No.	Name of Director	Category of Directorship	No. of Committee Meeting attended
1.	Mr. P. K. Khaitan	Chairman Independent & Non-Executive Director	2
2.	Mr. C. K. Dhanuka	Vice-Chairman, Promoter & Non-Executive Director	2
3.	Mr. C. P. Phillip	Independent & Non-Executive Director, Nominee of IDBI	2
4.	Mr. J. P. Kundra	Independent & Non-Executive Director	2

The Audit Committee has been reconstituted on 25.05.2002 by inclusion of Mr. T. K. Ray, Nominee of IFCI.

The Audit Committee has been vested with the following powers :

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of reference :

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services.



- c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on :
  - a. Any major changes in accounting policies and practices.
  - b. Major accounting entries based on exercise of judgement by management.
  - c. Qualifications in draft audit report.
  - d. Significant adjustments arising out of audit.
  - e. The going concern assumption.
  - f. Compliance with accounting standards.
  - g. Compliance with Stock Exchange and legal requirements concerning financial statements.
  - h. Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.
- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussions with internal auditors any significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussions with external auditors before the audit commences, the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payments of the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

#### 4. Remuneration Committee

The Board of Directors of the Company has at its meeting held on 25.05.2002 formed a Remuneration Committee comprising of 4 Non-Executive Directors viz. Mr. P. K. Khaitan, Chairman, Mr. C. K. Dhanuka, Vice Chairman, Mr. T. K. Ray, Nominee of IFCI Ltd. and Mr. J. P. Kundra, Director, out of which 3 are Independent Directors.

The Remuneration Committee has been vested with the following powers :

- a) To determine on behalf of the Board and on behalf of the shareholders, with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.
- b) To decide on the remuneration policy of the Company as a whole.

#### 5. Details of Remuneration for the year ended 31.03.2002

##### (i) Executive Directors

Sl. No.	Name	Salary (Rs.)	Special Allowance (Rs.)	Perquisites (Rs.)	Co's Contribution to P.F. (Rs.)	Total Remuneration (Rs.)
1.	Mr. D. Atal Executive Director	600000	300000	684701	72000	1656701
2.	Mr. B. Chattopadhyay Executive Director (Technical)	540000	—	420259	64800	1025059

The agreements with the Executive Directors are contractual in nature. The agreement may be determined at any time by either party by giving three months notice in writing or paying compensation in lieu thereof. The agreements do not provide for the payment of any severance fees. There are no Stock Options available / issued to any of the Executive Directors and it does not form a part of their contract with the Company.



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SOUTH ASIAN PETROCHEM LIMITED

## (ii) Non-Executive Directors

Remuneration by way of sitting fees for attending Board Meeting are paid to the non-executive directors. The non-executive directors are not entitled to any commission.

Sl. No.	Name	Sitting Fees paid (Rs.)
1.	Mr. P. K. Khaitan *	4000
2.	Mr. C. K. Dhanuka	4000
3.	Mr. S. L. Dhanuka	3000
4.	Mr. P. Murari	1000
5.	Mr. J. P. Kundra	4000
6.	Mr. J. H. T. Meyer (Alternate Director Dr. S. Kapur)	4000
7.	Mr. C. P. Phillip (Paid to IDBI)	2000
8.	Mr. R. G. Nirmal (Paid to IFCI Ltd.)	4000

\* Paid to M/s. Khaitan & Co. in which Mr. P. K. Khaitan is a partner.

## 6. Share Transfer Committee

In accordance with clause 49 para VI (D) of the listing Agreement of the Stock Exchanges, the Board has unanimously delegated the powers of share transfers to MCS Limited, Registrar, in order to expedite the process of share transfers, issue of duplicate certificates and certificates after splits / consolidation / renewal and rematerialisation. The Company has received confirmation from MCS Ltd., to the effect that it is attending to share transfer formalities on a fortnightly basis.

The Company has not as yet received any request for share transfer.

## 7. Shareholders/Investors Grievance Committee

The Board has formed a Shareholder/Investors Grievance Committee consisting of four Directors viz. Mr. C. K. Dhanuka, Mr. S. L. Dhanuka, Mr. J. P. Kundra and Mr. D. Atal. This committee shall specifically look into the redressing of shareholder and investor complaints.

The first meeting of the Committee was held on 24.05.2002.

Name and designation of Compliance Officer :

Mr. Rajiv Kumar Sharma

Asst. V. P. (Finance) & Company Secretary

South Asian Petrochem Ltd.

"Dhunseri House", 4A, Woodburn Park, Kolkata-700 020

Phone – (033) 280-1950 (6 lines)

Fax – (033) 280-1956

e-mail : aspet@cal2.vsnl.net.in

## 8. Project Management Committee

The Board of Directors of the Company has constituted a Project Management Committee, comprising of two Executive Directors and three Non-Executive Directors. The Committee was constituted in accordance with the conditions imposed by the term lending institutions.

During the year four Project Management Committee meetings were held on 04.05.2001, 28.09.2001, 28.12.2001 and 30.03.2002.

Sl. No.	Name of Director	No. of Committee Meeting attended
1.	Mr. P. K. Khaitan	4
2.	Mr. C. K. Dhanuka	4
3.	Mr. D. Atal	4
4.	Mr. B. Chattopadhyay	4
5.	Mr. C. P. Phillip	3

# Annual Reports Library

The Project Management Committee has been reconstituted on 25.05.2002 by inclusion of Mr. T. K. Ray, Nominee of IFCI Ltd.

The Project Management Committee has been vested with the following powers :

- To supervise and monitor the progress of implementation of the Project.
- Overall supervision of the Project during construction period including civil tendering, placement of order for civil construction, and other assets.
- Monitoring and management of Project implementation.

## 9. General Body Meetings

The last three Annual General Meetings were held as under :

Year	Date	Venue
2001	25.06.2001	Dhunseri House, 4A, Woodburn Park, Kolkata-700 020
2000	23.09.2000	Dhunseri House, 4A, Woodburn Park, Kolkata-700 020
1999	23.09.1999	Dhunseri House, 4A, Woodburn Park, Kolkata-700 020

No special resolutions were required to be put through postal ballot last year.

No special resolutions are placed for shareholders approval at this meeting which require postal balloting.

## 10. Disclosures

- There has been no non-compliance penalties/strictures imposed on the Company by Stock Exchange(s) or SEBI or any other statutory authority, on any matter related to capital markets since listing.
- There are no materially significant related party transactions which may have potential conflict with the interests of the Company at large. All related party transactions have been spelt out in Schedule 9 (5) i.e. Notes to Accounts, which forms an integral part of the Balance Sheet as at 31st March, 2002.
- There are no pecuniary relationship or transactions with the non-executive independent directors.

## 11. Means of Communication

- The quarterly statement of Status of the Project / Annual Results are published in English daily The Financial Express and a local language newspaper.
- Official news releases are given directly to the press.
- Management's Discussions & Analysis forms part of the Annual Report, which is also being posted to all the shareholders of the Company.
- The Company's website is under construction and shall be active shortly wherein the financial results and other relevant information shall be posted.

## 12. General Shareholder Information

### a) Annual General Meeting

Date & Time : 16th September, 2002 (Monday) 10.30 A.M.  
Venue : Sitaram Seksaria Sabhagar  
Bharatiya Bhasha Parishad  
36A, Shakespeare Sarani, Kolkata-700 017  
Book Closure Date : From 02.09.2002 to 16.09.2002 (both days inclusive)

### b) Financial Calendar

Adoption of Quarterly statement of Status of the Project / Annual Results	Adopted on
31st March, 2002 (Audited Annual Accounts)	25th May, 2002
30th June, 2002 (Quarterly Results)	30th July, 2002
30th September, 2002 (Quarterly Results)	End October '02
31st December, 2002 (Quarterly Results)	End January '03
31st March, 2003 (Annual Results)	End June '03

### c) Registrar and Share Transfer Agent

MCS Ltd.  
77/2A, Hazra Road, Kolkata-700 029  
Phone : (033) 476-7350/54  
Fax : (033) 474-7674  
e-mail : mcscal@cal2.vsnl.net.in