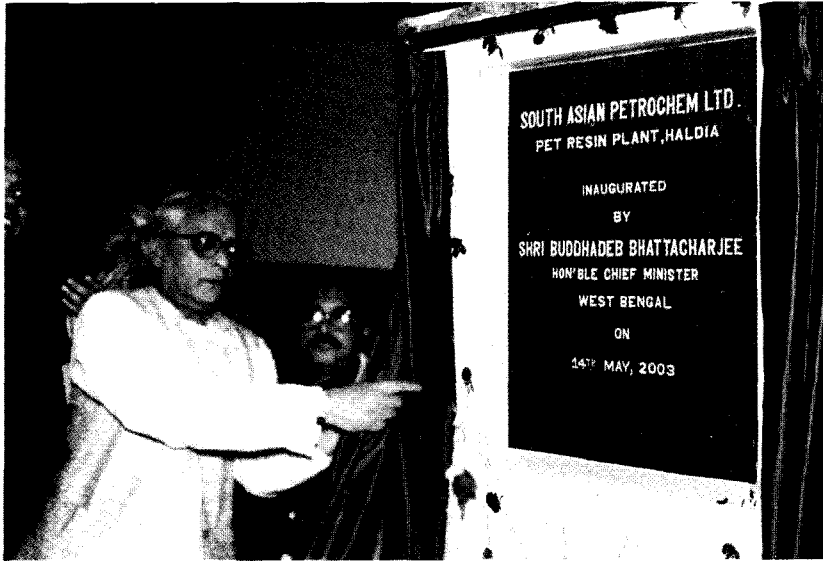


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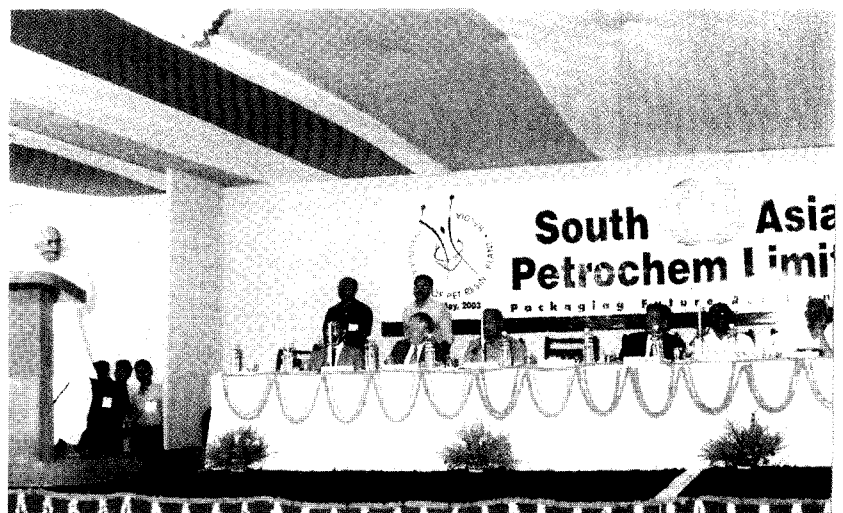


SOUTH ASIAN PETROCHEM LIMITED



Sri Buddhadeb Bhattacharjee, Hon'ble Chief Minister of West Bengal, inaugurating the PET Resin Plant at Haldia of South Asian Petrochem Ltd., on 14th May, 2003

Report  Junction.com



Sri Buddhadeb Bhattacharjee, Hon'ble Chief Minister of West Bengal addressing the gathering at the inauguration of the plant

BOARD OF DIRECTORS

P. K. KHAITAN, Chairman
 C. K. DHANUKA, Vice Chairman
 D. ATAL, Executive Director
 B. CHATTOPADHYAY, Executive Director (Technical)
 C. P. PHILIP, Nominee of IDBI
 T. K. RAY, Nominee of IFCI Ltd.
 G. KRISHNA, Nominee of WBIDC Ltd.
 M. DHANUKA
 H. P. BREITENBACH
 Dr. S. KAPUR, Alternate Director
 Y. F. LOMBARD
 J. P. KUNDRA
 P. MURARI
 Dr. B. SEN Additional Director

VICE-PRESIDENT (FINANCE)

R. K. DALMIA

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

R. K. SHARMA

AUDITORS

LODHA & COMPANY
 Chartered Accountants

BANKERS

BANK OF BARODA
 BANK OF INDIA
 CANARA BANK
 PUNJAB NATIONAL BANK
 UCO BANK
 UNION BANK OF INDIA
 UNITED BANK OF INDIA

REGISTERED OFFICE

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

PLANT

JL-126, Mouza-Basudevapur,
 Haldia, Dist.-Midnapore (East)-721 602
 West Bengal

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Seventh Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2003.

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, 2003 with a Statement of Pre-operative Expenditure till that date, which would be capitalised on completion of the project.

PROJECT PROGRESS

The Effective Date of commencement of the Project, was 27.02.2001. Your Directors are pleased to inform that with the sincere efforts and the relentless work of all concerned your Company was able to achieve Mechanical completion on 27.04.2003.

The Plant commissioning activities started immediately after Mechanical completion. The melt phase polymerisation was commenced on 29.04.2003. On 30.04.2003 the Plant achieved on specification quality of amorphous PET within 24 hours of start up.

The first line of SSP Plant was successfully started on 12.05.2003 and since then it is producing international quality chips and its has been accepted by all major processors in India and abroad. The second line of SSP was started on 30.05.2003 and the same is also producing international quality chips.

The Plant has received all statutory clearances including Letter of Consent for operation of the Plant from the West Bengal Pollution Control Board.

The main contractors and consultants, whose contribution towards early mechanical completion, your Directors wish to acknowledge are :

- (a) Zimmer AG of Germany : Scope – Process Collaborator and Engineering of Main Plant;
- (b) Lurgi India Co. Ltd. : Scope – Engineering Procurement and Commissioning of Utility Plants and erection of all equipments;
- (c) Simplex Concrete Piles (India) Ltd. : Scope – Civil and Structural Construction;
- (d) Kirby Building Systems India Ltd. : Scope – Pre-engineered and Pre-fabricated buildings for raw materials & finished goods stores and DG shed building and
- (e) Development Consultants Pvt. Ltd. : Scope – Project Management Consultants to oversee Civil and Mechanical construction.

The Plant was formally inaugurated on 14.05.2003 by the Hon'ble Chief Minister of West Bengal, Shri. Buddhadeb Bhattacharjee.

The Trial run of the Plant is being conducted by efficient and experienced professionals who have come from different parts of India having experience in polyester industry.

MARKETING PLAN

Your Company had entered into marketing arrangements with two reputed German trading houses viz. Helm AG and Polytrade GmbH. These agreements had been done some years ago and since then market conditions have undergone changes and production and consumption has increased substantially. In order to fully tap the potential in every market, the Company has appointed more distributors in areas which would enhance the depth of distribution. Your Company's own marketing personnel have extensively visited key markets to establish direct customer relations. Sampling of product for approval of various health and statutory authorities has been initiated and sales have now commenced during the trial run period.

The demand in the domestic market is also showing a healthy trend and a sales and distribution team has been put in position to tap the domestic customers. The response of customers to ASPET quality has been positive.

CONSERVATION OF ENERGY

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

As a measure of energy conservation the Company has adopted and implemented a method whereby the energy of the jacket hot water of the captive power generation DG sets, is being used for chilling of water at the chillers. This has resulted in substantial conservation of energy over the conventional method of using power to generate chilled water for the chiller plants.

For conveying of PTA and chips in the Plant, nitrogen is required. In general, nitrogen generating plants are set up, which use substantial power for generating compressed air and PSA nitrogen generation, but your Company has done away with this requirement by simply outsourcing the most purified form of nitrogen (Dew Point of -110°C and oxygen % of less than 1ppm) through cross country pipe line from the nearest nitrogen generation plant.

TECHNOLOGY ABSORPTION

The technologies being adopted by your Company for the various processes and utilities are most modern and State-of-the Art. This is evident from the fact that the current output of the Company, in pre-commercial production phase has gained domestic and international recognition.

For proper absorption of the various technologies, your Company has ensured that the relevant input requirements from the collaborators, including training of personnel at similar plants are made available. 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. 36,66,32,674/- towards purchase of Equipments; Rs.2,79,74,286/- towards Know-how & Engineering cost; Rs.4,09,42,947/- towards Technical Assistance, to Zimmer AG of Germany. Your Company has also incurred an expenditure of Rs.7,20,89,032/- toward interest on Foreign Currency loans availed from Banks and Financial Institutions and spent a sum of Rs.41,68,332/- towards Foreign Travel. The Company has also spent Rs.8,59,793/- on account of other expenses like subscription for trade journals, seminar fees, etc.

PERSONNEL

The Company has no employee whose salary exceeds the limits prescribed u/s 217(2A) of the Companies Act, 1956. Hence, information required to be given under the said section read with the Companies (Particulars of Employees) Rules, 1975 as amended has not been provided in this report.

AUDITORS

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

DIRECTORS

Mr. Shankar Lal Dhanuka, left for his heavenly abode on 16th December, 2002. The Directors condole the death of Mr. S. L. Dhanuka and pray that his soul may rest in peace. The Directors place on record their sincere appreciation of the vision and guidance provided by him during his tenure in office.



Mr. Mrigank Dhanuka, has been appointed as Director of your Company in the casual vacancy created by the death of Mr. S. L. Dhanuka. Mr. Mrigank Dhanuka shall hold office till the term Late S. L. Dhanuka would have held office.

Mr. Y. F. Lombard, 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. Hans Peter Breitenbach, 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. Gopal Krishna, 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.

Dr. Basudeb Sen, has been appointed as an Additional Director on the Board of Directors of your Company w.e.f. 31.01.2003, to hold office till the date of the ensuing Annual General Meeting. The required notice, pursuant to provisions of Section 257 of the Companies Act, 1956 has been received from a member proposing Dr. Sen's appointment as a Director. Your Directors feel that Dr. Sen with his vast experience shall contribute significantly in the achievement of the Corporate Goal of your Company.

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 have been followed alongwith proper explanation relating to material departures;
- (ii) that the Directors have 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;
- (iii) that the Directors have 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 have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Corporate Governance and Management Discussion and Analysis Reports 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, Export Import Bank of India, Dena Bank, Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank, UCO Bank, Union Bank of India, United Bank of India, West Bengal Industrial Development Corporation Ltd., Reserve 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, Simplex Concrete Piles (India) Ltd., Kirby Building Systems India Ltd., Development Consultants Pvt. Ltd., employees and all others associated with the Project.

FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS

Place : Kolkata
Dated : 30th June, 2003

P. K. Khaitan
Chairman



ANNEXURE TO DIRECTORS' REPORT : CORPORATE GOVERNANCE REPORT

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

1. Company's Philosophy

Your Company has consistently endeavoured to practice good Corporate Governance. Your 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 nine other Non-Executive Directors including three Nominee Directors and an Additional Director.

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

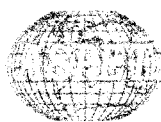
A management discussion and analysis report, which forms a part of this annual report, is given by means of a separate annexure and is attached to the Director's Report.

During the year under review five Board Meetings were held on 25.05.2002, 29.07.2002, 26.10.2002, 04.01.2003 and 31.01.2003

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)	5	3
2	Mr. C. K. Dhanuka	Vice-Chairman Promoter & Non Executive Director	5	Yes	15 (3 Pvt. Ltd. Co)	6	—
3	Mr. D. Atal	Executive Director	4	Yes	—	1	—
4	Mr. B. Chattopadhyay	Executive Director	5	Yes	—	—	—
5	Mr. P. Murari	Independent & Non Executive Director	2	No	11 (1 Pvt. Ltd. Co.)	6	2
6	Mr. J. P. Kundra	Independent & Non Executive Director	4	Yes	5	9	4
7	Mr. H.P. Breitenbach (Alternate Director Dr. Sudhir Kapur)	Promoter & Non Executive Director	— 4	No No	6 1	— —	— —



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
8	Mr. Y. F. Lombard	Independent & Non Executive Director	—	Yes	3	—	—
9	Mr. C. P. Phillip	Independent & Non Executive Director (Nominee of IDBI)	3	No	1	1	—
10	Mr. Gopal Krishna	Independent & Non Executive Director (Nominee of WBIDC Ltd.)	1	N.A.	10 (1 Pvt. Ltd. Co.)	—	—
11	Mr. T. K. Ray	Independent & Non Executive Director (Nominee of IFCI Ltd.)	4	N.A.	3	3	—
12	Mr. M. Dhanuka (w.e.f.31/01/03)	Promoter & Non-Executive Director	1	No	11 (3 Pvt. Ltd. Co)	—	—
13	Dr. B. Sen (w.e.f.31/01/03)	Independent & Non-Executive Director	1	No	2 (1 Pvt. Ltd. Co)	1	1

Directors who relirquished 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. S. L. Dhanuka	Promoter & Non Executive Director	—	No	12 (2Pvt. Ltd. Co.)	1	—

3. Audit Committee

The Audit Committee of your Company, comprises of four Non-Executive Directors out of which three are Independent Directors.

During the year four Audit Committee meetings were held on 24.05.2002, 29.07.2002, 26.10.2002 and 31.01.2003. For the purpose of reviewing the annual financial statements for the year ended 31st March, 2003 the Committee met on 30.06.2003.

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



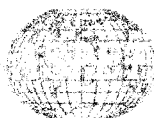
The Audit Committee was reconstituted on 25/05/2002 by inclusion of Mr. T. K. Ray, Nominee of IFCL. Mr. P. K. Khaitan, a member and Chairman of the Committee resigned from the Committee on 19.08.2002, owing to personal reasons.

The Audit Committee has been vested with the following powers :

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

Terms of reference :

- a) Oversight of your Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) 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 your Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of your 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 of 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 your 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 Remuneration Committee of your Company, comprises of four Non-Executive Directors out of which three are Independent Directors.

During the year the Committee meet once on 29.07.2002.

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

The Remuneration Committee has been vested with the following powers :

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

5. Details of Remuneration for the year ended 31.03.2003

(i) Executive Directors

Sl. No.	Name	Salary (Rs.)	Special Allowance (Rs.)	Perquisites etc. (Rs.)	Co's Contribution to P.F. (Rs.)	Total Remuneration (Rs.)
1	Mr. D. Atal Executive Director	6,00,000	3,00,000	3,28,652	72,000	13,00,652
2	Mr. B. Chattopadhyay Executive Director (Technical)	5,75,000	—	2,50,175	69,000	8,94,175

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 your Company.

(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.

