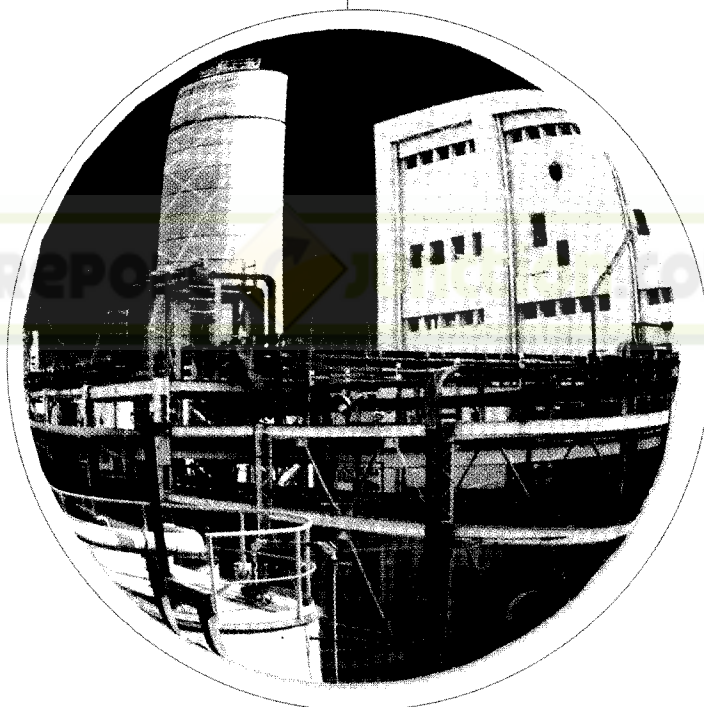


# Positioned for growth



South Asian Petrochem Limited  
Annual report, 2004-05

# Corporate Information

## Board of Directors

P.K. Khaitan, *Chairman*  
 C.K. Dhanuka, *Vice Chairman*  
 P. Murari  
 J.P. Kundra  
 Dr. Basudeb Sen  
 Y.F. Lombard  
 H.P. Breitenbach  
 (Alternate Director Dr. Sudhir Kapur)  
 Gopal Krishna, *IAS. (Nominee of WBIDC Ltd)*  
 C.P. Philip *(Nominee of IDBI Ltd)*  
 S. Bhattacharyya *(Nominee of Exim Bank of India)*  
 M. Dhanuka  
 B. Chattopadhyay, *Executive Director & CEO*

## Bankers

Bank of Baroda  
 Bank of India  
 Canara Bank  
 Punjab National Bank  
 UCO Bank  
 United Bank of India

## Registered Office

Dhunseri House  
 4A, Woodburn Park  
 Kolkata-700 020

## Plant

JL-126, Mouza-Basudevapur, Haldia  
 District: Midnapore (East)-721 602  
 West Bengal

## Vice President (Finance) & CFO

R.K. Dalmia

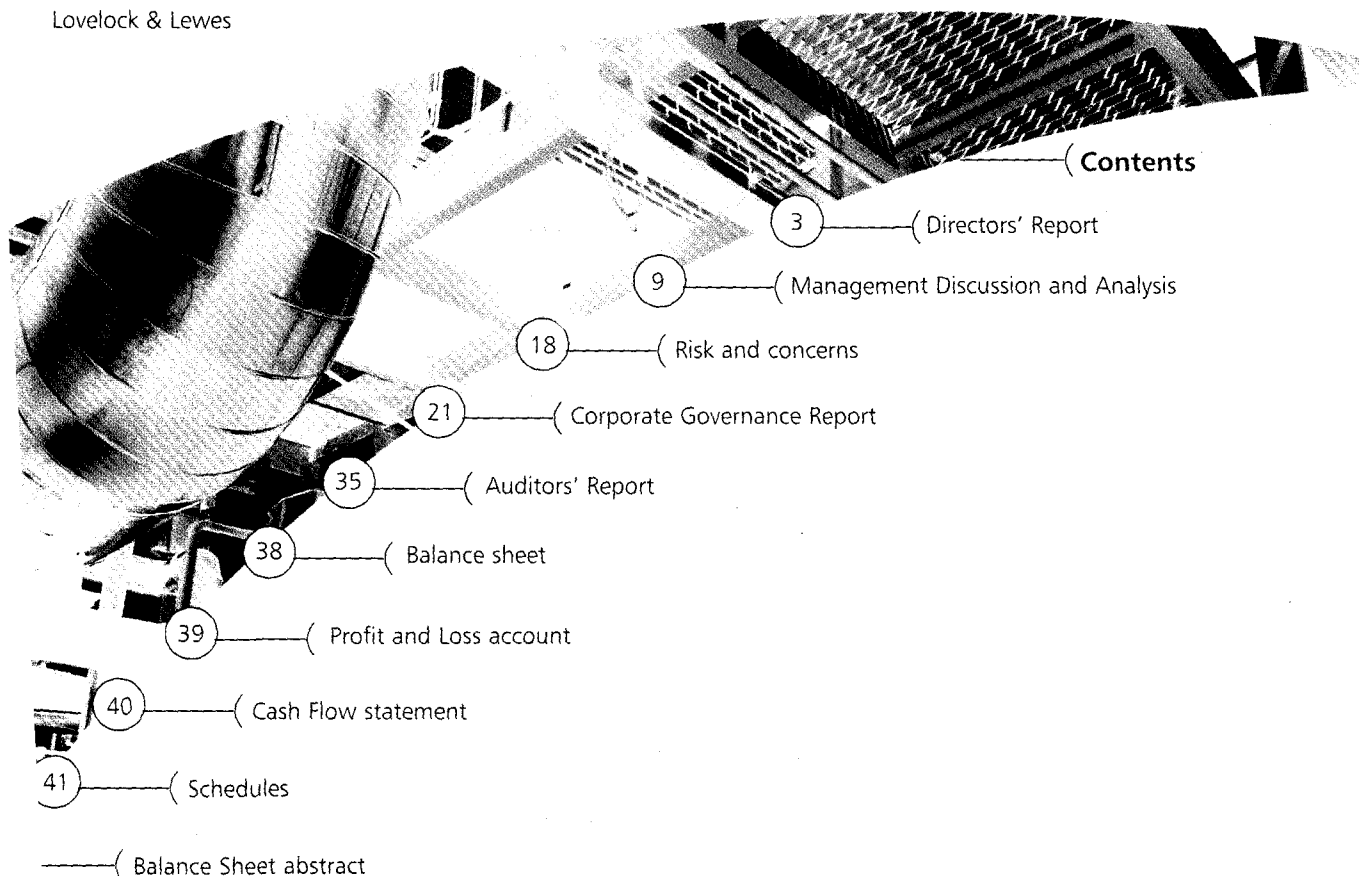
## Asst. Vice President (Finance) & Company Secretary

R.K. Sharma

## Auditors

Lovelock & Lewes

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	( Contents
3	( Directors' Report
9	( Management Discussion and Analysis
18	( Risk and concerns
21	( Corporate Governance Report
35	( Auditors' Report
38	( Balance sheet
39	( Profit and Loss account
40	( Cash Flow statement
41	( Schedules
	( Balance Sheet abstract

SOUTH ASIAN PETROCHEM LIMITED IS AN ATTRACTIVE PROXY OF THE GROWING CONSUMER BOOM AND A NEED FOR HYGIENE IN THE FOOD AND BEVERAGES SECTOR.

#### WHO WE ARE

- A manufacturer of PET resin.
- A 100% export-oriented unit.
- An installed capacity of 140,000 tpa.
- Promoted by the Kolkata-based Dhunseri Group.
- Shares listed on the Kolkata and Mumbai stock exchanges.

#### WHERE WE ARE

- Headquartered in Kolkata (West Bengal, India).
- Thirty-five acre manufacturing facility 130 kms away from Kolkata in the industrial and port town of Haldia.

#### WHAT WE MANUFACTURE

- Bottle-grade PET resin and Film-grade PET resin.
- Branded and marketed as 'ASPET'.
- Introduction of two new Bottle-

grades (jar and fast-reheat) and Film-grade PET resins in 2004-05.

#### WHO WE SELL TO

- 75% to 80% of products exported to over 60 countries.
- 80% of exports to prestigious international customers like Pepsi, Coca-Cola, Danone and Amcor.
- Rest of the output sold within India.

#### HOW WE MANUFACTURE

- State-of-the-art automated and continuous manufacturing process.
- Technology from Zimmer AG, Germany.

#### HOW WE ARE RECOGNISED

- PET resin manufacturer for food grade applications.
- Manufacturer of USDA-approved products.

#### WHAT WE ACHIEVED IN 2004-05

- A capacity utilisation of more than 100% in the first full year of operations.
- Widening product portfolio following the introduction of fast reheat Jar-grade and Film-grade PET resins.
- Shareholder of Haldia Infrastructure Development Corporation Ltd dedicated to the infrastructural development of Haldia's industrial area.
- Installation of ERP between the plant and corporate office leading to informed decision-making.
- Increased efficiency in energy consumption.
- Reduced dependence on imports from 52% of raw material consumed in 2003-04 to 38% in 2004-05.

#### VISION

Global eminence through quality leadership in PET solutions



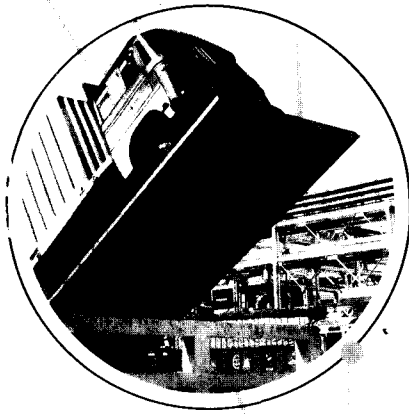
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# Directors' report

To the Members

Your Directors have the pleasure in presenting the Ninth Annual Report of your Company together with the audited statement of accounts for the year ended 31st March, 2005. This is the first full year of commercial production by your Company.

## FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

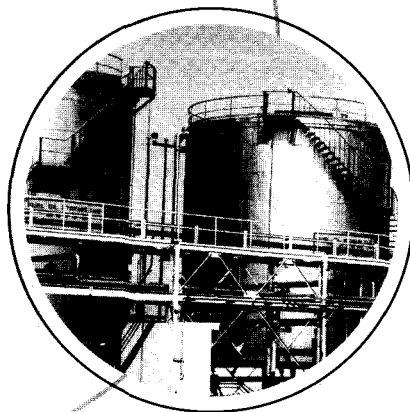
Turnover and other income	80311.83
Profit before interest and depreciation	6618.21
Interest	2521.16
Profit before depreciation	4097.05
Profit / (Loss) for the year	1885.27
Provision for tax	
- Current tax	52.88
Balance carried forward to balance sheet	1832.39

## DIVIDEND

As your Company is in a stage of consolidation, your Directors do not recommend the payment of any dividend for the year.

## PERFORMANCE

Your Company achieved gross sales of Rs.83,311.24 Lac during the year, of which Rs.59,639.72 Lac was by way of exports. The Company's production is significantly dependent on import of raw material. However the Company reduced the use of imported raw materials from 52% of all raw material used during the previous year to 38% in 2004-05. Better commercial propositions, if they continue to emanate from within the country, may reduce the Company's dependence on imports. Exports were further broad based during the year under review to take advantage of better margins available from certain markets and reduce country-specific risks.



## PROSPECTS

According to a recent survey the world today produces and consumes more of polymers than steel. PET is an important industrial polymer and draws attention for innovation as well as competition. The global PET resin markets have matured and PET acceptability has been increasing from hitherto conservative sectors. However, with an increase in production facilities in various countries, including the major consumer countries, margins and the volumes of PET offtake are likely to be under pressure. Your Company is constantly endeavouring to meet the requirements of the emerging market.

Your Company has consistently been able to meet the varied quality requirements of PET consumers spread across more than 50 countries. Though the prices of PET have been volatile internationally, the Company's quality consistency has established the Company as a reliable global sourcing point. Your Company's quality philosophy is benchmarked against the exemplary best in the world and this is an assurance to itself and to its customers of its viability and reliability. This achievement within a year of commercial production continues to be a source of inspiration for your Company.

One of the fallouts of the growing importance of PET in international trade has been the imposition of anti-dumping and anti-subsidy levies by several major consumer countries. This is a phenomenon, which now characterises international trade. The United States of America has recently, after due investigation, withdrawn the anti-dumping measures it had taken against the import of Bottle Grade PET from India and several other countries. However, restrictions and anti-dumping measures continue to exist on exports to several other major consumer countries.

Your Company is aware that innovation is the key to industrial leadership and survival. The Company proposes to invest in research and development facilities to acquire capabilities to manufacture newer and more value added grades. Your Directors are happy to inform you that during the year under review the Company commenced commercial production of Film-grade PET, which has already been well accepted by domestic consumers.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS/OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are attached as Annexure "A" to this report.

## 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 is NIL and, therefore, not separately annexed hereto.

## AUDITORS

Messrs. Lovelock & Lewes, 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. C.K. Dhanuka , Mr. Y.F. Lombard and Mr. J.P. Kundra

Directors of your Company are retiring by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment. Your Directors recommend their re-appointment.

During the year Mr T.K. Ray ceased to be a Director of the Company consequent to the withdrawal of his nomination by IFCI Ltd. The Board of Directors wish to place on record their sincerest appreciation for the contribution made by Mr. Ray during his tenure.

Mr. Arvind Sonmale ceased to be a Director of the Company consequent to the withdrawal of his nomination by the Exim Bank of India. The Board of Directors wish to place on record their sincerest appreciation for the contribution made by Mr. Sonmale during his tenure. Mr. Sudip Bhattacharyya has been nominated to the Board by Exim Bank of India. Your Board of Directors welcome him to the Board of the Company.

During the year Mr. D. Atal ceased to be an Executive Director of the Company. Your Directors wish to place on record their sincerest appreciation for the contribution made by Mr. D. Atal during his tenure.

Mr. Mrigank Dhanuka has been appointed as an Executive Director of the Company with effect from 12th August, 2005. Your Directors recommend approval of his appointment, the particulars of which are contained in the Notice for the Annual General Meeting.

### **COST AUDIT**

The central government has not prescribed Cost Audit under the provisions of Section 233B of the Companies Act, 1956 in respect of companies manufacturing polyethylene terephthalate (PET) resin.

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

Pursuant to the requirements 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 has been followed along with proper explanations 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 and of the profit and loss of the Company for that period;

- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 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.

### **EMPLOYEES**

The Company is committed to the principle of equal opportunity in employment. Your Company applies employment policies which are fair and equitable. Progression within the Company is determined solely by ability, competency and performance.

The Directors take this opportunity to place on record their appreciation for the devoted and committed services rendered by the employees during the year under review.

### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their sincere appreciation for the whole-hearted support received from the Industrial Development Bank of India Ltd., Export-Import Bank of India, Dena Bank, Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank, UCO Bank, Syndicate Bank, United Bank of India, West Bengal Industrial Development Corporation Ltd., Haldia Development Authority, Office of the District Magistrate of Midnapore (East), West Bengal Pollution Control Board, West Bengal State Electricity Board, Ministry of Environment & Forests, Govt. of West Bengal, Zimmer AG of Germany and all others associated with the Company.

For and on behalf of  
The Board of Directors

Place: Kolkata  
Date: 28th May, 2005

**P.K. Khaitan**  
Chairman



# Annexure "A"

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**Information pursuant to Section 217(1)(e) of the Companies Act, forming part of the Directors' Report for the Year ended 31st March, 2005.**

## **A. CONSERVATION OF ENERGY**

Your Company attaches highest priority to conservation of energy. The activities of the Company in this direction are:

### **a. Energy conservation measures taken:**

1. Process and DG cooling tower aluminium fan blades are being replaced with Fiber Reinforced Plastic (FRP) fan blades.
2. For supply of fresh water / drinking water, a low capacity pump has been ordered to reduce operating hours of existing high capacity pump and thereby conserve energy.

### **b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:**

Investments and proposals presently under consideration by your Company are:

1. Installation of "Lighting Energy Saver" to reduce the energy consumed for lighting by 20%.
2. Installation of inverter drives for 3 nos. air-cooled condensor motors in poly plant to save energy. This also facilitates precise control of condensate temperature, which helps in reducing shock loads (influent COD/BOD) to the effluent treatment plant.
3. Installation of 2 nos. heat recovery units in Lub oil purification system of DGs.

### **c. Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:**

The energy conservation measures, by replacing the process and DG cooling tower aluminium fan blades with FRP fan blades and installation of low capacity pump for fresh / drinking water supply undertaken by your Company will reduce power consumption.

The proposed energy conservation measures are expected to yield an annual cost savings of upto Rs 1 Crore.





## FORM "B"

Form for disclosure of particulars with respect to Absorption of Technology, Research and Development (R&D).

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- a) The technology for manufacture of Bottle Grade polyethylene terephthalate (PET) resin has been provided by Zimmer AG, a world leader in polyester technology. Mechanical completion of the project was completed in the month of April 2003. The commercial production commenced in September 2003.
- b) The technology provided for manufacture of Bottle Grade PET resin has been absorbed at the Company's plant at Haldia.

### RESEARCH AND DEVELOPMENT

#### 1. Specific areas in which R & D was carried out by the Company

The plant has developed Film Grade resin and PET resin

for 20 Ltr. jars, which have been well accepted in the market.

#### 2. Benefits derived as a result of R&D :

New grades developed have improved your Company's market share.

#### 3. Future plan of action :

To achieve further consistency in the overall product quality and exploring and developing newer grades.

For and on behalf of  
The Board of Directors

Place: Kolkata  
Date: 28th May, 2005

**P.K. Khaitan**  
Chairman

