

MD	✓		BKC	✓
CS	✓		DPY	11/12
RO	✓		DIV	
TRA	NA		AC	✓
AGM	✓		SFF	✓
YE	✓			



Chambal Fertilisers and Chemicals Limited

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Twelfth Annual Report
1996-97

DIRECTORS

K.K. Birla

Chairman

H.S. Bawa

Vice Chairman

H.C. Grover

Managing Director

Satinder Aggarwal

UTI / LIC / GIC Nominee

Mohd. Y.A. Al-Roomi

(Alternate: P.J. Batavia)

R.N. Bansal

Shyam S. Bhartia

D.B. Engineer

P.K. Kaul

M.D. Locke

(Alternate: C.S. Nopany)

S.K. Poddar

W.J. Stevens

(Alternate: Marco Wadia)

A.J.A. Tauro

Dr. K.C. Varshney

IDBI Nominee

SENIOR EXECUTIVES

S.M. Bhalla - Director (Operations)

D.R. Bansal - Vice President (Strategic Planning)

S. Lakshminarayanan - Vice President (Commercial)

R.D. Mall - Vice President (Technical)

S.M. Nadgir - Vice President (Marketing)

Sunil Sethy - Vice President (Finance)

COMPANY SECRETARY

M.S. Rathore

REGISTERED OFFICE

Gadepan,

Distt. Kota, Rajasthan,

PIN- 325 208

CORPORATE OFFICE

Devika Tower

Ground Floor

6, Nehru Place

New Delhi-110 019

LEGAL ADVISORS

Crawford Bayley & Co.,

Bombay

Khaitan & Co.,

New Delhi

AUDITORS

S.R. Batliboi & Co.

Chartered Accountants

BANKERS

Bank of Baroda

Punjab National Bank

State Bank of India

Allahabad Bank

State Bank of Indore

State Bank of Patiala

State Bank of Hyderabad

State Bank of Bikaner & Jaipur



NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held at Gadepan, Distt. Kota, Rajasthan, at 10.30 a.m. on Friday, 5th September, 1997, to transact the following business:

ORDINARY BUSINESS:

1. to receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1997, and Profit & Loss Account for the year ended on that date and reports of Directors and Auditors thereon;
2. to consider declaration of dividend on Equity Shares and Cumulative Convertible Preference (CCP) Shares on pro-rata basis including on Equity Shares arising out of conversion of CCP Shares;
3. to appoint a Director in place of Mr. H.S. Bawa, who retires by rotation and is eligible for re-appointment;
4. to appoint a Director in place of Mr. P.K. Kaul, who retires by rotation and is eligible for re-appointment;
5. to appoint a Director in place of Mr. Mohammed Y.A. Al-Roomi, who retires by rotation and is eligible for re-appointment;
6. to appoint a Director in place of Mr. A.J.A. Tauro, who retires by rotation and is eligible for re-appointment;
7. to consider and, if thought fit, pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.R. Batliboi & Company, Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as auditors of the Company, to hold the office from the conclusion of this meeting

until the conclusion of the next Annual General Meeting of the Company, at a remuneration of Rs. 7.50 lacs and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit."

SPECIAL BUSINESS:

8. to consider and if thought fit, pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors, of all the immovable and movable properties of the Company wheresoever situate, present and future and/or conferring power to enter upon and to take possession of the assets of the Company in certain events, to or in favour of all or any of the following, namely:

1. Industrial Development Bank of India (IDBI);
2. Industrial Finance Corporation of India (IFCI);
3. The Industrial Credit and Investment Corporation of India (ICICI);
4. Unit Trust of India (UTI);
5. Life Insurance Corporation of India (LIC);
6. General Insurance Corporation of India (GIC);
7. Bank of Baroda (BOB);
8. Punjab National Bank (PNB);
9. State Bank of India (SBI);
10. Allahabad Bank (AB);
11. State Bank of Indore (SBIND);
12. State Bank of Bikaner and Jaipur (SBBJ);
13. State Bank of Patiala (SBP); and
14. State Bank of Hyderabad (SBH),

to secure the following loans, advances and/or obligations arising out of the guarantees given by the aforesaid Financial Institutions and Banks:

IDBI	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 100 Crores (Rupees One Hundred Crores only); — Foreign Currency Loans not exceeding US\$ 5.84 million equivalent to Rs. 21 Crores (Rupees Twenty One Crores only); and — Obligations arising out of the deferred payment Guarantee Assistance of Japanese Yen 5836 million equivalent to Rs. 200 Crores (Rupees Two Hundred Crores only); 	BOB	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 30 Crores (Rupees Thirty Crores only); — Foreign Currency Loans not exceeding US\$ 21 million equivalent to Rs. 72 Crores (Rupees Seventy Two Crores only); — Obligations arising out of the deferred payment Guarantee Assistance of Japanese Yen 2452 million equivalent to Rs. 84 Crores (Rupees Eighty Four Crores only); and
IDBI as a Trustee	<ul style="list-style-type: none"> — to act as a trustee for the holders of Partly Convertible Debentures of Rs. 424 Crores (Rupees Four Hundred Twenty-Four Crores only), the non-convertible portion of which comprise Rs. 212 Crores (Rupees Two Hundred Twelve Crores only); 	PNB	<ul style="list-style-type: none"> — Working Capital Assistance aggregating to Rs. 68.76 Crores (Rupees Sixty Eight Point Seven Six Crores only) both fund based and non-fund based; — Rupee Term Loans not exceeding Rs. 41 Crores (Rupees Forty One Crores only); and
IFCI	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 61 Crores (Rupees Sixty One Crores only); and — Obligations arising out of the deferred payment Guarantee Assistance of Japanese Yen 1459 million equivalent to Rs. 50 Crores (Rupees Fifty Crores only); 	SBI	<ul style="list-style-type: none"> — Working Capital Assistance aggregating to Rs. 50 Crores (Rupees Fifty Crores only) both fund based and non-fund based; — Working Capital Assistance aggregating to Rs. 45 Crores (Rupees Forty Five Crores only) both fund based and non-fund based;
ICICI	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 91 Crores (Rupees Ninety One Crores only); and — Obligations arising out of the deferred payment Guarantee Assistance of Japanese Yen 4672 million equivalent to Rs. 160 Crores (Rupees One Hundred Sixty Crores only); 	AB	<ul style="list-style-type: none"> — Working Capital Assistance aggregating to Rs. 30.99 Crores (Rupees Thirty Point Nine Nine Crores only) both fund based and non-fund based;
UTI	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 20 Crores (Rupees Twenty Crores only); 	SBIND	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 5 Crores (Rupees Five Crores only); and — Working Capital Assistance aggregating to Rs. 11 Crores (Rupees Eleven Crores only) both fund based and non-fund based;
LIC	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 16 Crores (Rupees Sixteen Crores only); 	SBBJ	<ul style="list-style-type: none"> — Working Capital Assistance aggregating to Rs. 12 Crores (Rupees Twelve Crores only) both fund based and non-fund based;
GIC	<ul style="list-style-type: none"> — Rupee Term Loans not exceeding Rs. 6 Crores (Rupees Six Crores only); 		



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

SBP — Working Capital Assistance aggregating to Rs. 16 Crores (Rupees Sixteen Crores only) both fund based and non-fund based; and

SBH — Working Capital Assistance aggregating to Rs. 22.75 Crores (Rupees Twenty Two Point Seven Five Crores only) both fund based and non-fund based;

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, guarantee commission, costs, charges, expenses and other monies including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved, payable by the Company to the aforesaid lenders under their respective heads of agreements/memorandum of terms and conditions entered into by the Company in respect of the said term loans and guarantees.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, IFCI, ICICI, UTI, LIC, GIC, BOB, SBI, AB, PNB, SBIND, SBBJ, SBP and SBH the documents for creating aforesaid mortgages and/or charges and to do all such acts, deeds and things as may be necessary for giving effect to the above resolution."

By order of the Board

Gadepan
26th July, 1997

M.S. RATHORE
Company Secretary

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE IN HIS/HER STEAD AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN

48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ANNEXED TO THE ANNUAL REPORT.

2. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 14th August, 1997 to Tuesday, 26th August, 1997 (both days inclusive).
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of item Nos. 7 and 8 of the Notice is given below and forms part thereof.
4. Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
5. The Board of Directors has decided to convert the Cumulative Convertible Preference (CCP) Shares of Rs. 100 each into ten Equity Shares of Rs. 10 each at the end of the fifth year from the date of allotment of the CCP Shares. Those holders who have not sent the CCP Share Certificates to the Company are advised to surrender the same so that Equity Share Certificates can be despatched to them.
6. The dividend for the financial year 1996-97 will be paid after its declaration at this meeting, to those members whose names appear on the Register of Members of the Company as on 26th August, 1997. The dividend on Equity Shares and Cumulative Convertible Preference (CCP) Shares shall be payable on pro-rata basis including on Equity Shares arising out of conversion of CCP Shares.
7. Investors are once again advised to forward the particulars of their bank account, branch and address of the bank immediately, if not sent already.
8. All communications should be sent to the "Investor Service Centre" of the Company, situated at Devika Tower (5th floor), 6, Nehru Place, New Delhi-110 019. Phone: 011-6462162, 6462163, Fax: 011-6465218, Telex: 031-66159 AFLIN Grams: ARAFERT.

9. Members are requested to:
- send their queries, if any, to reach the Company's Head Office at New Delhi at least 10 days before the date of the meeting so that information can be made available at the meeting; and
 - bring the copy of the Annual Report along with them to the meeting.
10. PICK-UP COACH FACILITY
For the convenience of members desirous of attending the Company's Annual General

Meeting scheduled on 5th September, 1997 at 10.30 a.m., the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, at 9.00 a.m. on that date to reach Gadepan (venue of the AGM) in time for the meeting and leave Gadepan after the meeting for Kota.

Members wishing to avail of this facility may kindly be present at the pick-up point at Kota as indicated above.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 7

Section 224A of the Companies Act, 1956 provides for appointment/re-appointment of auditors at an annual general meeting by a special resolution in case 25% or more of the subscribed share capital of a company is held by the Public Financial Institutions/Government Companies/Central Government/State Governments/Nationalised Banks/Insurance Companies.

The aforesaid Institutions/Banks hold more than 25% of the subscribed share capital of your Company. It is, therefore, necessary to re-appoint the auditors by passing a Special Resolution.

The Board commends the Resolution for your approval.

Item No. 8

The members of the Company at their Eighth Annual General Meeting held on 30th September, 1993 had accorded their consent for mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company to secure guarantees/loans advanced by financial institutions and banks.

The members of the Company are aware that the Company is setting up second Ammonia and Urea Plants (hereinafter referred to as Gadepan-II Project) at Gadepan, Distt. Kota, Rajasthan, at an estimated cost of Rs. 1256 crores, which shall be

financed through equity capital, internal accruals and loans.

The Company has further availed of/tied up various loans, guarantees and other facilities from financial institutions and banks in connection with the existing plant as well as Gadepan-II project. The financial assistance so availed of/tied up has to be secured by mortgage of all the immovable and movable properties of the Company, present and future. Since mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the lenders may be regarded as disposal of the Company's properties/undertakings, your approval under Section 293(1)(a) of the Companies Act, 1956 is being sought.

Copies of the aforesaid agreements are kept for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the Meeting.

None of the Directors of the Company is interested in the Resolution except Dr. K.C. Varshney and Mr. Satinder Aggarwal who are nominee Directors of IDBI and UTI/LIC/GIC, respectively.

The Directors commend the Resolution for your approval.

By order of the Board

Gadepan
26th July, 1997

M.S. RATHORE
Company Secretary



Directors' Report

To

The Members

Your Directors have pleasure in presenting the 12th Annual Report together with audited accounts for the financial year ended 31st March, 1997.

1. Financial Results and Appropriations:

	(Rs. in crores)	
	1996-97	1995-96
Turnover	746.46	751.52
Gross Profit after interest but before depreciation and tax	199.95	201.66
Depreciation	63.72	62.60
Profit before tax	136.23	139.06
Provision for Taxation (MAT)	17.64	—
Profit after tax	118.59	139.06
Balance of Profit brought forward	102.49	53.14
Profit available for appropriation	221.08	192.20
Debenture Redemption Reserve	18.00	18.00
Debt Redemption Reserve	10.80	—
General Reserve	25.00	35.00
Proposed dividend on		
— Equity Shares	35.84	34.79
— CCP Shares	0.86	1.91
Dividend for the previous year	—	0.01
Tax on proposed Dividend	3.67	—
Balance carried forward to Balance Sheet	126.91	102.49

2. Share Capital:

The Board of Directors of your Company had decided on 6th March, 1993, to convert Cumulative Convertible Preference (CCP) Shares at the end of 5th year from the date of allotment. Accordingly, 7,50,960 CCP Shares of Rs. 100 each were converted into 75,09,600 Equity Shares of Rs. 10 each at par during the year. The Equity Share Capital of the Company has thus increased to Rs. 364.64 crores after the conversion of CCP Shares.

3. Dividend:

The Directors recommend dividend of Re. 1 per Equity Share and also recommend payment of dividend of Rs. 10 per CCP Share including pro-rata dividend on 7,50,960 CCP Shares and 75,09,600 Equity Shares arising out of conversion of CCP Shares during the year.

4. Retention Price:

The members are aware that urea price is regulated by the Government of India through fixation of uniform Consumer Price and Ex-Factory Price for individual manufacturing units under the Retention Price Scheme. Your Company had applied to the Fertiliser Industry Co-ordination Committee (FICC) of the Government of India in July, 1994, for fixation of Provisional Retention Price for urea manufactured at Gadepan plant. The Government of India, Ministry of Chemicals and Fertilisers has notified in April, 1997, the Provisional Retention Price of urea produced by the Company. The matter is being pursued with the Government for early fixation of final retention price. Pending fixation of final retention price, the Company has accounted the current year income on the basis of notified provisional retention price and further claims worked out based on FICC norms.

5. Plant Operation:

The production of urea during the year 1996-97 was 8,74,915 MT as against 8,94,405 MT in the previous year, thus maintaining a high level of capacity utilisation. The production would have been higher but for the first major turnaround taken for 22 days in the month of April, 1996. The restricted supply of natural gas from time to time also contributed to lower production. Despite the above restrictions, high capacity utilisation was possible by operating Steam and Power Generation facility on Naphtha fuel and by high on-stream efficiency of the plant. During April and May, 1997, the plant continued to operate at a high level of capacity utilisation.

6. Marketing:

During the year 1996-97 your Company sold 9,95,379 MT of fertilisers comprising of 8,74,723 MT of urea, 85,127 MT of DAP and 35,529 MT of SSP besides sale of pesticides worth Rs. 12 crores. Further, your Company has been awarded the contract for handling imported urea shipments at Kandla port and expects to handle above 2 lac MT of imported urea during 1997-98. This will help the Company in selling larger volumes of urea as a prelude to the production from the second ammonia/urea train.

The Agricultural Development Laboratory at Sri-ganganagar continues to provide yeoman service to our valued farmers through analysis of soil samples, micro-nutrient deficiencies, water, etc., free of cost.

7. Capital Projects:

The members were informed in the last Annual General Meeting that the Company proposed to undertake expansion programme to double the capacity of the fertiliser plant at Gadepan by installing another 1350 TPD Ammonia Plant with twin 1175 TPD Urea Plant. The Company has already awarded the contract to Toyo Engineering Corporation, Japan, Mitsui & Co. Ltd., Japan and Toyo Engineering India Ltd., to set up the second train at the same site. The project cost is estimated at Rs. 1256 crores and the plant is expected to go on stream by end 1999.

Your Company is also planning a joint venture company in Morocco with Office Cherifien Des Phosphates (OCP), a Moroccan Government Company, to set up a plant at Jorf Lasfar to manufacture 3,30,000 tonnes per annum of P205 as merchant grade Phosphoric Acid. The estimated cost of the project is US\$ 228 million (Rs. 820 crores, US\$ 1=Indian Rupees 36) in which your Company's contribution through equity will be US\$ 32.5 million (Rs. 117 crores) being 50% of the capital of the JVC.

8. Personnel:

The Company considers Human Resources as the most important asset and accords high priority to their systematic training and development. Your Company has, in consultation with the leading management training institutes, designed and conducted in-house training programmes for shaping and developing the skills of its employees. Your Company is taking steps for the recruitment and training of employees for the Expansion Project. Industrial Relations remained cordial throughout the year.

9. Environmental Protection and Safety:

Your Company accords high priority to the maintenance of ecological balance, minimisation of effluents generation and treatment of effluents to the desired acceptable standards. The Company has taken various measures in this direction like strict in-house monitoring of pollution control, building of sufficient safety measures into the management system for ensuring pollution control and safety. Further, green belt development and horticultural activities are being given due importance.

10. Conservation of Energy:

Your Company is making all possible efforts to reduce energy consumption and achieve high plant operating efficiencies. The requisite information with regard to conservation of energy, technology absorption and foreign exchange outgo and earnings in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in separate statement attached hereto (Annexures 'A' & 'B') and forms part hereof.

11. Fixed Deposit:

During the year under review your Company launched its Fixed Deposit Scheme inviting fixed deposits from the public. Deposits are being accepted with effect from 1st April, 1997. Hence, there were no deposits due as on 31st March, 1997.

12. Investor Service Centre:

Investor Service Centre of your Company has been granted a certificate of registration from the Securities and Exchange Board of India (SEBI) to act as Share Transfer Agent in category II. Your Company strives to provide the best possible services to all investors through a high level of professionalism and a fully computerised system. Your Company plans to introduce Depository System whereby investors can opt for shares in electronic mode. The members will be intimated separately when the depository is actually introduced.

13. Directors:

In accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, M/s. H.S. Bawa, P.K. Kaul, Mohd. Y.A. Al-Roomi and A.J.A. Tauro shall retire by rotation and are eligible for re-appointment.

14. Particulars of Employees:

Information in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of the Directors' Report for the year ended 31st March, 1997 as given in Annexure 'C' to this report.

15. Auditors:

The Notes on Accounts appearing in Schedule 19 and referred to in the Auditors' Report are self-explanatory as regards to Note Nos. 7 & 9. In respect



of Note No. 8, the Company, on a conservative basis, would account the interest rate concession for the year 1995-96 as and when received from FICC.

The Auditors, M/s. S.R. Batliboi & Company, Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate that re-appointment, if made, will be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956.

16. Acknowledgements:

Your Directors wish to place on record their appreciation of the assistance and co-operation extended to the

Company by the Department of Fertilisers, Government of India, Government of Rajasthan, financial institutions, commercial banks, shareholders and all others whose continued support has been a source of strength to the Company. Your Directors also wish to place on record their sincere appreciation of the devotion and dedicated efforts put in by the employees at all levels.

By order of the Board

New Delhi
21st June, 1997

K.K. BIRLA
Chairman



Annexure 'A' to Directors' Report

FORM-A**Disclosure of particulars with respect to Conservation of Energy**

S. No.	Particulars	Unit	Current Year	Previous Year
A. POWER & FUEL CONSUMPTION:				
1.	Electricity			
	a) Purchased			
	Quantity	MWH	5095.22	5144.32
	Total Amount	Rs. lacs	151.61	125.10
	[Incl. minimum demand (MD) charges]			
	Rate/Unit (Excl. MD Charges)	Rs. lacs	2.95	2.34
	b) Own Generation			
	i) Through diesel generator	MWH	NIL	NIL
	ii) Through steam turbine/generator			
	Quantity	MWH	114372.39	108761.84
	Unit per SM ³ of gas	KWH/SM ³	1.58	1.66
	Unit per Kg. of Naphtha	KWH/Kg	2.03	2.41
	Cost/Unit	Rs./KWH	2.48	1.79
2.	Other/Internal Generation			
	a) Natural Gas (Ammonia – fuel, power & steam)			
	Quantity	1000 SM ³	143270.81	183425.38
	Total Cost	Rs. lacs	4137.06	5286.30
	Average Rate/Unit	Rs./1000 SM ³	2887.58	2881.99
	b) Naphtha (Ammonia – fuel, power & steam)			
	Quantity	MT	126659.85	98548.22
	Total Cost	Rs. lacs	6721.85	4258.01
	Average Rate/Unit	Rs./MT	5307.01	4320.74
B. CONSUMPTION PER MT OF UREA PRODUCTION:				
	Electricity (Incl. internal consumption)			
	Others:			
	Gas (Ammonia – fuel, power & steam)	SM ³	163.75	205.08
	Naphtha (Ammonia – fuel, power & steam)	Kg.	144.77	110.18

Annexure 'B' to Directors' Report

FORM-B**Disclosure of particulars with respect to Technology Absorption****Research and Development (R&D):**

- Specific areas in which R&D carried out by the Company:
 - Purge Gas Recovery Unit was commissioned in July '96.
 - In Ammonia Plant, Steam Superheater burners were replaced with more efficient type Dual-fuel-(NG/Naphtha)- fired burners in April '96 to take care of NG shortage partly.
 - Energy conservation in production of Ammonia, Urea and generation of Steam and Power.
 - Conservation of water and utilisation of treated effluent in Green Belt and horticultural activities.