

Fertilisers

Chemicals

Caprolactam

Report Junction.com

Engineering

Consultancy

56TH ANNUAL REPORT
-ാമത് വാർഷിക റിപ്പോർട്ട്
वीं वार्षिक रिपोर्ट



Best Performing
Public Sector Enterprise
Award

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

The Fertilisers And Chemicals Travancore Limited

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 56th Annual General Meeting of the Company will be held on Friday the 29th day of September, 2000 at 10.30 AM at the M.K.K. Nayar Memorial Hall at Eloor, Udyogamandal, Kochi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To elect a Director in place of Shri K. Mohandas who retires at this Annual General Meeting and being eligible offers himself for re-election.
3. To elect a Director in place of Shri Ravi Mathur who retires at this Annual General Meeting and being eligible offers himself for re-election.

Special Business

4. To elect Shri Girish Sharma as a Director of the Company.

The Company has received Notice in terms of Section 257 of the Companies Act 1956 proposing Shri Girish Sharma for election as Director of the Company at this Annual General Meeting.

By Order of the Board of Directors,

Sd/-

K. Padmadasan
COMPANY SECRETARY

Eloor, Udyogamandal,
Dated 14.08.2000

Note:

1. The Register of Members will be closed from 18th September 2000 to 29th September 2000 both days inclusive.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
3. The relative explanatory statement required under Section 173 of the Companies Act, 1956 is given below.

**Explanatory Statement Under Section 173 of the Companies Act, 1956
in respect of the Special Business to be transacted at the Meeting.**

Item No.4: Shri Girish Sharma was appointed as the Director of the Company with effect from 3rd July 2000 by the Board, consequent to the advice received from the Government of India, in pursuance of Article 80(c) of the Articles of Association

of the Company. For a fresh term from the close of the AGM, to meet the requirements under the Companies Act, he needs to be elected as a Director.

No Director other than Shri Girish Sharma is interested in the Resolution.

The Fertilisers And Chemicals Travancore Limited

**THE FERTILISERS AND CHEMICALS
TRAVANCORE LIMITED**

REGISTERED OFFICE:

Eloor, Udyogamandal,
Kochi, Kerala

PRODUCTION UNITS :

Fertilisers
Udyogamandal Division,
Udyogamandal
Cochin Division, Ambalamedu

Caprolactam
Petrochemical Division
Udyogamandal

CONSULTANCY DIVISION:

FACT Engineering & Design
Organisation,
Udyogamandal

MARKETING DIVISION:

Head Quarters - Udyogamandal

ENGINEERING DIVISION:

FACT Engineering Works,
Palluruthy, Kochi.

JOINT STATUTORY AUDITORS:

M/s. Menon & Menon, Kochi
M/s. Abraham & Jose, Kochi

BRANCH AUDITORS:

S.S. Ayyar & Co., Kottayam
Sundar & Co., Chennai
R.K. Tantry & Co., Bangalore
G.K. Rao & Co., Hyderabad

COST AUDITORS:

M/s. N.P. Gopalakrishnan & Co.
Kochi.

BANKERS:

State Bank of Travancore
Bank of Baroda
State Bank of India
State Bank of Hyderabad
Bank of India
Canara Bank
Dena Bank

LEGAL ADVISORS:

M/s. Menon & Pai, Advocates,
Kochi.
M/s. T.P.M. Ibrahim Khan,
Advocate, Kochi

SHARE TRANSFER AND DEPOSITORY AGENTS :

M/s. Cameo Corporate Services Limited
'Subramanian Building',
No.1, Club House Road, Chennai - 600 002.

The Fertilisers And Chemicals Travancore Limited

Board of Directors

Shri V.N. Rai
Chairman and Managing Director

Shri P.K. Ramdas
Director (Finance)

Shri P. Jayaraman
Director (Technical)

Shri T.T. Thomas
Director (Marketing)

Shri Ravi Mathur
Director

Shri Girish Sharma
Director

Shri. K. Mohandas
Director

Shri A.N. Aggarwal
Director

Dr. R.S. Venkataraman
Director

Prof. R. Arockiasamy
Director

Report  junction.com

Executive Directors

Shri J. Narayanamurthy
Executive Director (CEW)

Shri P. Radhakrishnan
Executive Director (CP & HRD)

Shri S. Balaji
Chief Vigilance Officer

The Fertilisers And Chemicals Travancore Limited**Directors' Report**

To the Members,

Your Directors have pleasure in presenting the 56th Annual Report of the Company along with the Audited Accounts and the report of the Auditors for the year ending March 31, 2000.

Your Directors are pleased to announce with great satisfaction that the year ending March 31, 2000 has been a land mark year for the Company. The Company not only exceeded the production targets set under the Memorandum of Understanding for the year but also established all time best records for Factamfos, Ammonium Sulphate and Caprolactam.

During the year 1999-2000 the Company produced 784515 MT of Factamfos 20:20 with 124% capacity utilisation compared to the previous best of 737839 MT during the year 1998-99 with capacity utilisation of 116%.

Production of 50723 MT of Caprolactam in Petrochemical Division is an all time record with 101% capacity utilisation compared to the earlier best of 47098 MT with a capacity utilisation of 94% for the year 1995-96.

Production of 2,31,286 MT of Ammonium Sulphate is also an all time record representing 103% capacity utilisation against the previous best of 92% capacity utilisation for the year 1995-96.

Production of Urea at 2.65 Lakh Tonnes represent 80% capacity utilisation, the 3rd best since the inception of the Plant.

The production of Nitrogen and P2O5 also is an all time record since the inception of the Company with 101% and 119% capacity utilisation.

The Company not only made a record in production but also set up all time record sales turnover of Rs.1628 Crores which represented a growth of 28% over earlier best turnover for the previous year.

The sale of fertiliser stood at 13.16 Lakh Tonnes compared to 12.10 Lakh Tonnes in the previous year.

Despite excellent production performance the Company ended the financial year with a loss of Rs.39.80 Crores (previous year loss – Rs.48.26 Crores) after providing depreciation of Rs.63.42 Crores (previous year – Rs.62.33 Crores) and interest of Rs.76.46 Crores (previous year – Rs.82.67 Crores). The Cash Profit for the year is Rs.23.62 Crores compared to Rs.14.07 Crores for the previous year.

All out concerted efforts were made to save more than Rs.65 Crores in the input costs to reduce the loss in every operation at every cost centre. The fixed costs were also reduced by way of operating the plants at a very high capacity utilisation. Because of these efforts the losses could be contained.

With the commissioning of the new 900 TPD Ammonia Plant in March 1998 which had to be set up due to legal/environmental reasons the high capital related charges of the Plant has to be absorbed by the Company. No compensation is available from Government for Ammonia produced captively with high cost of petroleum products, as the ad-hoc price concession on Factamfos 20:20 is fixed based on imported Ammonia.

We have requested the Government of India for a comprehensive financial relief package consisting of write off of Government loan on the new project, waiver of unpaid interest etc. This is under consideration before the Government of India. Once the requested relief is sanctioned, the financial health of the Company will improve significantly.

During the year 1999-2000 the Company gave top priority for energy conservation measures. These measures have resulted in substantial

The Fertilisers And Chemicals Travancore Limited

savings in energy. The most notable success being:

- The energy consumed for every tonne of Caprolactam produced during 1999-2000 was 13.2 MKCal/MT, which is the lowest since inception of the Plant
- In the new Ammonia Plant, energy consumption per MT was brought down to 9.1 MKCal during 1999-2000 from 9.8 MKCal during 1998-99.

As a continuing programme to conserve energy, in Cochin Division Sulphuric Acid Plant, a Thermo Compressor System is being set up at a cost of Rs.30 Lakhs. This will reduce the steam generation in Thermal Plant by 7TPH. The equivalent LSHS saving would be about 13 MT per day. The project is scheduled to be completed shortly.

The Company has not only established records in the area of production, energy conservation, cost reductions, sales but also established management practices and systems of governance thereby receiving the following laurels:

- ISO 14001 Certification for all Production Divisions
- State Pollution Control Award for the oldest Divisions - Udyogamandal Division
- Safety Awards for Udyogamandal and Cochin Divisions from National Safety Council of India.
- The Best Performing Public Sector Enterprise Award of Indian Institution of Industrial Engineering.

PERFORMANCE OF DIVISIONS

Udyogamandal Division: Udyogamandal Division established new record of production by producing 86528 MT of Nitrogen representing 113.8% capacity utilisation against the earlier best of 74797 MT of Nitrogen with a capacity utilisation of 98% during the year 1995-96 and records were also established in phosphatic fertilisers. Production of P₂O₅ stood at 38883 MT with capacity utilisation of 131% against the earlier best record of 31952 MT with capacity utilisation of 108% for the year 1995-96.

The above records were possible by producing

all time high Ammonium Sulphate of 231286 MT with capacity utilisation of 103% and Factamfos of 194415 MT with a capacity utilisation of 131%

The Division received ISO 14001 Certification for its Environment Management System from DNV Netherlands. The Division also received State Pollution Control Award.

Cochin Division: Cochin Division established all time record production of 590100 MT of phosphatic fertilisers representing 122% capacity utilisation, the previous best being 580200 MT and 120% capacity utilisation for the year 98-99. The Division also produced 265298 MT Urea as against 183065 MT for the previous year. Over all Nutrient production is 240057 of Nitrogen and 118020 MT P₂O₅ as against the previous year performance of 200250 MT and 116040 MT respectively.

The Division received ISO 14001 Certification for its Environment Management System from DNV Netherlands. The Division also received Safety Award from National Safety Council of India.

Petrochemical Division: All time record production of 50723 MT representing 101% capacity utilisation was achieved against the previous best of 47098 MT and capacity utilisation of 94%. The Division also received ISO 14001 Certification.

Marketing Division: The sales value of the fertilisers for the year was Rs.1258.39 Crores against Rs.1005.46 Crores for the previous year.

Pesticides sale was 157710 litre with a turnover of Rs.407 Lakhs as against the sale of 238332 litre with a turnover of Rs.691 Lakhs during 1998-99. The Sale of Bio-fertilisers for the year was 55407 Kgs valued at Rs.28 Lakhs as against 78000 Kgs valued at Rs.39 Lakhs the previous year. The sales of Bio-fertilisers and Pesticides was however affected due to monsoon failure in Rabi 2000.

The total sales of Caprolactam achieved in 1999-2000 stands at 50237 MT, which is an all time record, the previous best being 47420 MT achieved

The Fertilisers And Chemicals Travancore Limited

in 1994-95. The sales turnover of Caprolactam for the year was Rs.341 Crores as against Rs.234 Crores during the previous year.

Farmer Education and Fertiliser Promotion Activities were carried out effectively in all the four Southern States. During the year 183 Agricultural Seminars were conducted in different locations in the 4 Southern States of Kerala, Tamilnadu, Karnataka and Andhra Pradesh. 152 demonstration plots were laid out and field days were organised to educate the farmers on proper and efficient use of fertilisers. 20 Krishi Vigyan Kendras, 34 Special Crop Campaigns and 51 Exhibitions were organised to popularise fertiliser applications.

FACT Engineering & Design Organisation (FEDO): The Division registered a turnover of Rs.1293.44 Lakhs with a profit of Rs.27.73 Lakhs. This is a very good performance for FEDO considering the industrial slow-down. Value of orders bagged by FEDO during the year at Rs.2772 Lakhs including the Nangal expansion was an all time record.

FEDO also has embarked upon an ambitious plan for computerisation of all its activities in a phased manner in view of the severe competition from the consultancy organisations equipped with state of the art engineering software in a network environment. It is expected that the computerisation will enable FEDO to reduce the man hour norms for engineering activities and thereby making it more competitive in the consultancy industry.

During the year FEDO started a new department namely FEDO Info Systems (FIS) for Software development. Although initially the softwares for inhouse requirements are developed, FIS aim at marketing softwares to external clients as well. FIS has already released two software packages, viz Objective Measurement of Accomplishment (OMA) for facilitating measurement of progress of Projects and Relief valve sizing. Presently the Department, among others is developing a Comprehensive Document Management System for inhouse application and commercial exploitation later.

FACT Engineering Works (FEW): The turnover of FEW for the financial year 1999-2000 was 493.27 Lakhs. During the year, FEW bagged orders worth Rs.236 Lakhs.

RESEARCH & DEVELOPMENT:

A Bio-fertiliser Plant of 150 TPA capacity has been set up at FACT R&D Centre, Udyogamandal utilising the Rs.20 lakhs non-refundable grant received from the Ministry of Agriculture. The plant has been commissioned in January, 2000.

SAFETY MANAGEMENT

All new entrants including trainees are given training in Safety and Fire Fighting before they are sent to the plants. Safety Department organises periodical safety training for workers and supervisors. Safety Audit is conducted once in a year and recommendations are implemented.

EXPORTS:

During the year under review 6766 MT of Caprolactam was exported as against 10017 MT during 1998-99.

HUMAN RESOURCES DEVELOPMENT

A motivated work force is a pre requisite for the progress of any organisation. The Company is now fully committed to this philosophy. Your Company has instituted Awards for Excellence. The Awards will be given to individual/group of employees in recognition of the excellent work done by him/them in tackling a problem or undertaking a job. The first set of Awards were given on the independence day this year. The achievement of a group of employees in the Ammonia Plant of Cochin Division in setting right a major leak has been separately detailed under Technology Absorption in the annexure to the Directors' Report.

The Industrial Relations situation was generally peaceful. Training and Development activities of managerial personnel were carried out at the Management Development Centre and the two training schools at Udyogamandal and Cochin Division provided training facilities to workmen.

To meet the challenges in the years ahead, the

The Fertilisers And Chemicals Travancore Limited

Company proposes to undertake rationalisation and restructuring of manpower. We have approached National Productivity Council, Bangalore for a study and a report, on this aspect.

SC/ST UPLIFTMENT

As on 31st March 2000, the Company had on its rolls 904 Scheduled Caste and 163 Scheduled Tribe employees, representing 14.24% of the employees on roll.

SC/ST employees are encouraged to update and re-train themselves in the training programmes conducted in the Training Schools and in the Management Development Centre of the Company.

The Company has adopted 4 tribal villages in the Southern States. In Shivarama Colony in Karnataka, a pipeline was arranged for providing drinking water and 60 smokeless ovens at 50% subsidy were provided for tribal houses. Supply of Umbrellas & School Uniforms, conducting Medical and Veterinary Camps, supply of Sewing Machine, Hybrid Seeds, Chicks, conducting training programmes on modern agriculture etc. are other measures undertaken by the Company for the Socio Economic Development of SC/ST.

OUR VISION

We have chalked out a long term vision and strategy for the Corporation. Our vision is to empower the Indian Farmer to face the challenge thrown up by globalisation by producing and distributing agriculture inputs required by them at globally competitive rates and also to develop fertiliser technology for the country based on indigenous resources. We shall also endeavour diversification into high growth areas which are absolutely essential to ensure growth and financial leverage for the Company. A study has been commissioned for the purpose.

RAJBHASHA

To speed up progressive use of Hindi for official purpose and to ensure compliance with the Official Language Act and rules and other instructions of Government of India, the Official Language

Implementation Committee of the Company continued to function effectively during the year. Regular meetings were held under the Chairmanship of the Chairman and Managing Director to review the progress in the use of Hindi and to plan measures to speed up the same. Company won the Ever Rolling Trophy the 9th time for securing more points in Hindi competitions conducted by the Cochin Town Official Language Implementation Committee.

VISIT OF PARLIAMENTARY COMMITTEE

During the year 1999-2000, Committee of Sub-ordinate Legislation, Rajya Sabha and Rajya Sabha Committee on Govt. Assurance visited and held discussions with the company.

AUDITORS

The Ministry of Law, Justice and Company Affairs, Government of India, reappointed M/s. Abraham & Jose, Chartered Accountants and appointed M/s. Menon & Menon, Chartered Accountants as Joint Statutory Auditors. M/s. R.K. Tantry & Co., M/s. S.S. Ayyar & Co., M/s. G.K. Rao & Co., and M/s. Sunder & Co., were appointed as branch auditors to audit the accounts for the year ended 31st March 2000.

COMMENTS/OBSERVATIONS OF STATUTORY AUDITORS

Your Directors refer to the Comments/Observations of the Statutory Auditors on the Accounts for the year ended 31st March 2000 on valuation of inventories, accounting for fixed assets, non provision for penal interest on loans and increase in wages.

All overheads incurred in the manufacturing divisions are really production overheads and costs required for bringing the inventories to the present location and condition. These overheads excluding head office/corporate office expenses and interest are to be included in cost of production and to be taken in valuation of closing stock. The freight incurred is a cost for movement of the product from factory to field warehouses from where the sales

The Fertilisers And Chemicals Travancore Limited

take place and therefore freight charges should also be considered while valuing the stocks in the field warehouses/in-transit.

FACT has been accounting as income the subsidy on Urea on despatch as per our accounting policy consistently for the past several years and therefore there is no distortion in the accounts on this account.

In a manufacturing unit like FACT, machinery spares and stores have to be purchased not only in the initial stages along with the original equipment, but also during the subsequent life of the machinery/equipment, since replacements would be necessary to take care of the wear and tear. Hence it would not be correct to capitalise all the spares immediately on purchase and charge depreciation thereon.

Notes at SI Nos 1, 13 and 16 in Schedule 19 of the Schedules to the Accounts explain the matter relating to contingent liabilities, non-provision of penal interest on loans from Government of India and increase in salaries and wages.

COST AUDIT

The Government of India has approved the appointment of M/s. N.P. Gopalakrishnan & Co., as Cost Auditors of the Company for the year ended 31st March, 2000.

DIRECTORS

Shri A.N. Aggarwal, Dr. R.S. Venkataraman and Prof. R. Arockiasamy were elected as Directors of the Company at the 55th Annual General Meeting held on 29th September 1999. Ministry of Chemicals & Fertilisers, Department of Fertilisers, Government of India has appointed Shri T.T. Thomas, Executive Director (Marketing & HRD) FACT as a Director on the Board of Directors of the Company and Shri T.T. Thomas took over as Director (Marketing) with effect from 12th January 2000.

Shri Girish Sharma, Director, Department of Fertilisers, Ministry of Chemicals & Fertilisers, Government of India was co-opted as a Director on the Board of Directors of the Company on 3rd July 2000.

Shri S.K. Ray, Director, resigned from the Board with effect from 20th January 2000. The Board places on record its appreciation of the valuable services rendered by Shri S.K. Ray, Director during his tenure.

PUBLIC DEPOSITS

The total amount of Fixed Deposits mobilised by the Company as on 31st March 2000 was Rs.5186.76 Lakhs. 19 Depositors have not claimed their deposits amounting to Rs.6.27 Lakhs.

STATUTORY DISCLOSURE

Information regarding the conservation of energy, technology absorption and foreign exchange earnings and outgo required under Section 217(1) (e) of the Companies Act 1956 is set out in a separate statement attached to this report and forms part of it.

During the year no employee had received remuneration within the purview of Section 217 (2A) of the Companies Act 1956.

ACKNOWLEDGEMENT

The Directors gratefully acknowledge the valuable guidance and support extended by the Government of India, Department of Fertilisers and the State Governments of Kerala, Tamilnadu, Karnataka and Andhra Pradesh.

The Directors deeply appreciate the committed efforts put in by the employees at all levels to achieve the highest ever production and turnover and look forward to their dedicated services and endeavour in the years ahead to enable the company to scale even greater heights.

The Directors also acknowledge the continued support extended by the Shareholders, Depositors, Suppliers and Customers of the Company, the Press, Doordarshan and AIR.

For and on behalf of the Board of Directors.

Sd/-

V.N.Rai

Chairman and Managing Director.

Udyogamandal
23.08.2000

The Fertilisers And Chemicals Travancore Limited

ANNEXURE TO DIRECTORS' REPORT

Particulars required under Companies (Disclosure of Particulars in the Report of Directors) Rules 1988

A. CONSERVATION OF ENERGY

Udyogamandal Division: Effective steps have been taken to reduce the electrical energy consumption by replacing the Fluorescent tube fittings and Incandescent lamps with CFL fittings. This has resulted in a savings of 0.245 lakh unit power at a project investment of Rs. 2.5 lakhs.

The high energy intensive drive motors are being replaced with new generation energy efficient electric drive motors in a phased manner.

The Raw material/Utilities consumption of all the products is monitored regularly by analysing the critical parameters. Moreover specific energy consumption of the individual products is determined daily and reports submitted for taking the corrective action. The raw material efficiency and energy efficiency studies are done on a monthly basis to identify and rectify the defective system.

In the new Ammonia Plant as well, Energy Consumption per MT was brought down from 9.8 MKCal during 1998-99 to 9.1 MKCal during 1999-2000. Presently the plant is able to achieve Energy Consumption levels of less than 8.5 MKCal per MT as compared to the design standard of 8.6 MKCal.

Cochin Division: Installation of the Thermo Compressor System at a cost of Rs.30 lakhs in Sulphuric Acid Plant will reduce the steam generation in Thermal Plant by 7 TPH. The equivalent LSHS saving would be about 13 MT per day. The project is scheduled to be completed by September 2000.

Petrochemical Division: The Captive Power Plants of Petrochemical Division and Ammonia Complex have been connected by a Tie-Feeder arrangement resulting in considerable savings in Diesel consumption in the Diesel Generator set of Petrochemical Division.

Energy Conservation efforts at the Petrochemical Division enabled achievement of an Energy Consumption of 13.2 MKCal per MT of Caprolactam during 1999-2000 which is an All Time Record since inception of the plant. Energy Consumption per MT of Caprolactam during the previous year 1998-99 was 16.1 MKCal.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, Adaptation and Innovation.

The high pressure steam headers of Petrochemical Division and the Ammonia Complex have been interconnected resulting in

optimum utilisation of boiler capacities in the two Divisions.

In Cochin Division, a start up scrubber for Sulphuric Acid Plant was installed and commissioned at a cost of Rs.85 lakhs.

In the Cochin Division, Ammonia plant operations were severely affected by leaks in the Tube Bundle of Ammonia Converter Boiler. Faced with prospect of major production loss, since imported replacement tube bundle would take 7-10 months to procure, ingenious and innovative repair of the Tube Bundle was successfully undertaken in-house and a crisis could be averted.

2. Benefits derived as a result of the above efforts.

The interconnection of high pressure steam headers of Petrochemical Division and Ammonia Complex have resulted in optimum utilisation of boiler capacities in the two Divisions and therefore, a lower consumption of LSHS/Furnace oil.

The installation of start up scrubber for Sulphuric Acid plant has resulted in minimisation of SO₂ emissions during Sulphuric Acid start up.

DETAILS OF RESEARCH & DEVELOPMENT (R&D) ACTIVITIES

Details of Research & Development (R&D) activities are given in form - B.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Outgo	Current Year Rs. in lakhs	Previous Year Rs. in lakhs
i) C.I.F. Value of imports:		
a) Raw Materials	33876.86	38446.01
b) Spares and other materials	880.95	966.28
c) Capital Goods	248.50	49.75
	<u>35006.31</u>	<u>39462.04</u>
ii) Expenditure in Foreign Currency (Cash Basis):		
a) Knowhow payments	9.34	104.96
b) Consultancy service	177.42	370.85
c) Others	239.44	27.66
	<u>426.20</u>	<u>503.47</u>
Total (i) + (ii)	<u>35432.51</u>	<u>39965.51</u>
iii) Foreign exchange earned	3655.96	3870.76
Overall net expenditure	<u>31776.55</u>	<u>36094.75</u>