

***FERFTILISERS & CHEMICALS
TRAVANCORE LTD.***

***ANNUAL REPORT YEAR ENDED
2000-2001.***



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

BRANCH AUDITORS:

M/s. Ramanujam & Co.,
Bangalore.
M/s. Narasimha Rao &
Associates, Hyderabad.
M/s. Varadarajan & Co.,
Chennai.
M/s. S.S. Ayyar & Co.,
Kottayam.

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.

LISTING

Cochin Stock Exchange Ltd.,
Kochi.
The Stock Exchange, Mumbai.
National Stock Exchange of
India Ltd., Mumbai.

DEPOSITORY

National Securities
Depository Ltd., Mumbai.
Central Depository Services
(India) Ltd., Mumbai.

SHARE TRANSFER AND DEPOSITORY AGENTS:

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

**BOARD OF DIRECTORS**

Shri T.T. Thomas
Chairman & Managing Director

Shri S. Balan
Director (Finance)

Shri A.N. Aggarwal
Director

Shri Sudhir Krishna
Director

Prof. R. Arockiasamy
Director

Shri Manish Gupta
Director

Shri L. Radhakrishnan
Director

EXECUTIVE DIRECTORS

Shri J. Narayanamurthy
Executive Director (CEW)

Shri S. Balaji
Chief Vigilance Officer



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 57th Annual Report of the Company together with the Audited Accounts and the Report of the Auditors for the year ended March 31, 2001.

The financial year 2000-01 has been a landmark year in the operational performance of the Company. The excellence in performance achieved during the previous year was carried forward during 2000-01, and the Company could surpass almost all previous achievements.

ALL TIME RECORDS

- ◆ Turnover - Rs.1845 Crores.
- ◆ Production of Complex Fertiliser - (FACTAMFOS) 8.38 Lakh MT - 132% capacity utilisation.
- ◆ Production of Urea - 2.75 Lakh MT - 83.3% capacity utilisation.
- ◆ Production of Ammonium Sulphate - 2.38 Lakh MT-106% capacity utilisation .
- ◆ Production of Caprolactum - 52541 MT-105% capacity utilisation .
- ◆ Production of Nutrient Nitrogen - 3.43 Lakh MT-106% capacity utilisation.
- ◆ Production of Nutrient P₂O₅ - 1.68 Lakh MT-127% capacity utilisation.
- ◆ Sales of Fertilisers - 14.8 Lakh MT.
- ◆ Sales of Caprolactum - 52910 MT.
- ◆ Foreign Exchange Earnings - US\$ 14 million.
- ◆ Turnover for FEDO - Rs.22Crores.

Despite the record breaking performance in Production and Marketing, the Company suffered a loss of Rs.151.95 Crores for the year, after providing depreciation to the extent of Rs.96.50 Crores (previous year Rs.63.42 Crores) and interest Rs.98.78 Crores (previous year Rs.76.46 Crores). Spares worth Rs.5922.65 Lakhs were capitalised during the year consequent upon clarification received from the Institute of Chartered Accountants of India on Accounting Standards. Due to this, depreciation is higher by Rs.3320.56 Lakhs.

Our proposal for write-off of the loan from the Government of India for the new Ammonia project and waiver of interest thereon is pending before the government.

The Company could generate additional resources due to higher production as well as savings in procurement cost of raw materials through

streamlined procedures and negotiations.

Besides the record breaking production and sale, Company has given due priority to environmental protection, pollution control, quality assurance and good Corporate Governance which resulted in receipt of various awards and recognitions, including the following:

- Enterprise Excellence Award from Indian Institution of Industrial Engineering.
- ISO 9001, 9002 and 14000 certification for various units.
- Industrial Safety Award from the National Safety Council, Kerala Chapter for outstanding performance in industrial safety.
- Petrochemical Division has secured the second place among Large Scale Industries in the Kerala State Pollution Control Award .



PERFORMANCE HIGHLIGHTS		
	2000-01 (in Tonnes)	1999-2000 (in Tonnes)
PRODUCTION		
Ammonium Sulphate	238066	231286
Factamfos 20:20	838108	784515
Urea	275170	265298
Caprolactam	52541	50723
SALES		
Fertilisers - (in Lakh Tonnes)	14.80	13.16
Caprolactum - (in Tonnes)	52910	50237
FINANCIALS		
	(Rs.in lakhs)	(Rs. in lakhs)
a) Turnover	184506	162772
b) Gross Margin	4343	9990
c) Depreciation	9650	6342
d) Interest	9878	7646
e) Operating Profit/Loss	-15185	-3998
f) Adjustment in respect of prior year	10	-17
g) Profit brought forward from previous year	19753	23734
h) Profit available for appropriation	4558	19753
i) Balance carried to Balance sheet	4558	19753

PERFORMANCE OF DIVISIONS

Udyogamandal Division

Udyogamandal division established new records of production during the year. Production of Nutrient Nitrogen was 90063 MT representing 118% capacity utilisation against the earlier record of 86528 MT created in the previous year with a capacity utilisation of 114%. Production of Nutrient P₂O₅ stood at 41022MT with a capacity utilisation of 138% against the earlier best production of 38883 MT with a capacity utilisation of 131% for the previous year.

The above records were possible by making all time high production of 238066 MT of Ammonium Sulphate with a capacity utilisation of 106% and 205108 MT of Factamphos with a capacity utilisation of 138%.

Cochin Division

During the year 2000-2001 Cochin Division produced 253178 MT of nutrient Nitrogen with 102% capacity utilization surpassing previous best of 240057 MT with capacity utilization of 97% in 1999-2000. Production of P₂O₅ was 126600 MT

with 124% capacity utilization surpassing previous best of 118020 MT with capacity utilization of 116% in 1999-2000. The Division achieved all time record annual production of 275170 MT of Urea and 633000 MT of Complex Fertiliser NP 20:20.

Petrochemical Division

The Petrochemical Division produced 52541 MT of Bagged Caprolactam during the year 2000-01 as against 50723 MT in 1999-2000. This represents a capacity utilisation of 105% as against 101% for the previous year. This is an all time record, the previous best being the production achieved during 1999-2000.

During the year Caprolactam has achieved all-time low energy consumption of 12.8 MKCal against design of 15.54 MKCal, and previous best of 13.2 MKCal.

There was a slow down of Caprolactam demand in the domestic market during the latter half of financial year 2000-2001 consequent to the general recessionary trend. The situation is likely to improve in financial year 2001-2002.



Marketing Division

The Marketing Division achieved its highest ever sales during the financial year 2000-01 with a quantity of 14.78 lakh M.Tonnes of Fertilisers against the previous best of 13.20 Lakh M.Tonnes during the year 1995-96. The Company marketed a quantity of 52910 M.Tonnes of Caprolactam and 7256 M.Tonnes of Chemicals, thus making a total sales volume of 15.38 lakh M.Tonnes. Highest ever sales was achieved for Factamfos, Urea, Ammonium Sulphate, MOP and Caprolactam. The sales value for the above fertilisers including subsidy will be Rs.1433 Crores and for Caprolactam & others Rs.383 Crores. The sale of Bio-Fertilisers and Pesticides was below previous years sale.

Farmer Education and Fertiliser Promotion activities were carried out effectively in all the four Southern States. During the year 103 Agricultural Seminars were conducted in different locations in the four Southern States of Kerala, Tamilnadu, Karnataka, and Andhra Pradesh. 64 Fertiliser Demonstration Plots were laid out and 56 Field Days were organised to educate the farmers on proper and efficient use of Fertilisers. 16 Krishi Vigyan Kendras, 82 Special Crop Campaigns, 34 Exhibitions and 14 Intensive Consumer Contact Programmes were organised.

Exports

13124 MT of Caprolactam was exported during 2000-01 as against 6766MT during 1999-2000. The exports were mainly countries in South-East Asia, namely, Taiwan, Korea and China.

FACT Engineering and Design Organisation

During the year 2000-01, FEDO achieved a record turnover of Rs. 22 Crores as against Rs.13 Crores the previous year. The profit earned during the year is Rs.166.33 Lakhs as against Rs.27.73 Lakhs the previous year. During the year FEDO received orders of the value of Rs. 519.09 Lakhs.

FEDO successfully completed the turnkey job

of Urea Revamp Project for NFL within the original scheduled time of completion.

FACT Engineering Works

Turnover for the year 2000-2001 was Rs. 737.11 Lakhs as against Rs.493.27 Lakhs for 1999-2000.

During 2000-2001, FEW bagged orders worth Rs.291.4 Lakhs as against Rs. 236.49 Lakhs bagged during 1999-2000

HUMAN RESOURCES

The industrial relation situation was generally peaceful. There were no instances of work stoppage affecting the normal operations of the Company except for a one day strike by all the 11 recognised Trade Unions of the Company and Officers' Forums on 16.05.2000. The strike was to express their protest against the reported proposal on disinvestment of FACT.

The two Training Schools at Udyogamandal and Cochin Division provide training facilities to workmen and the Management Development Center provide training to the managerial personnel. A total of 116 in house programmes were conducted during the year covering 2402 employees. Besides 296 employees were sponsored for 49 external training programmes / seminars during the year.

As on 31.03.2001 there are 877 SC and 158 ST employees on FACT rolls. In the training programme conducted in the Training School and the Management Development Center, nomination of SC/ST employees is ensured.

RAJBHASHA

The Official Language Implementation Committee of the Company continued to function effectively during the year holding meetings regularly under the chairmanship of the Chairman and Managing Director to speed up progressive use of Hindi for official purposes and to ensure compliance of the Official Languages Act and Rules and other instructions of Government Of India. The Company won the Ever Rolling



Trophy for the 10th year for securing the highest points in Hindi competitions conducted by the Cochin Town Official Language Implementation Committee.

AUDITORS

M/s. Abraham & Jose, Chartered Accountants and M/s. Menon & Menon, Chartered Accountants were reappointed as Joint Statutory Auditors of the Company for the year 2000-01, by Comptroller and Auditor General of India

M/s. S.S Ayyar and Co., Chartered Accountants, was re-appointed and M/s. Ramanujam & Co., M/s. Narasimha Rao & Associates and M/s. Varadarajan & Co., Chartered Accountants, were appointed as Branch Auditors.

COMMENTS/OBSERVATIONS OF STATUTORY AUDITORS

The Statutory Auditors have signed the Accounts on 2nd July 2001 and the Report dated 2nd July 2001 was issued. Subsequently, based on the discussions with the Principal Director of Commercial Audit, Chennai, the statutory auditors have issued revised Audit Report on 10th August 2001. In their report dated 10th August 2001, the comments on Accounting Standard 2 stand revised. Company's Reply to the comments/observations of the Statutory Auditors in their Report dated 10th August 2001 is given in the Annexure.

COST AUDIT

M/s. N.P. Gopalakrishnan & Co. has been appointed as Cost Auditors of the Company for the year 2000-01 with the approval of the Government of India.

DIRECTORS

In pursuance of Government of India Order dated 23rd July 2001, Shri V.N. Rai, Chairman and Managing Director, handed over the charge of the post of Chairman and Managing Director, FACT, to Shri T.T. Thomas, Director (Marketing), FACT and Shri T.T. Thomas has assumed additional charge of the post of Chairman and Managing Director with effect from 23rd July 2001.

Shri. Sudhir Krishna, Joint Secretary, Department of Fertilisers, Government of India and Shri. Manish Gupta, Deputy Secretary, Department of Fertilisers, Government of India, were co-opted as Directors on to the Board of Directors of the Company on 28.05.2001.

Shri. L. Radhakrishnan, Secretary, Industries, Government of Kerala was co-opted as a Director on to the Board of Directors on 30.04.2001.

Department of Fertilisers, Ministry of Chemicals and Fertilisers vide order dated 14.02.2001 entrusted the additional charge of the post of Director (Finance) of the company to Shri. S. Balan, Director (Finance), Rashtriya Chemicals and Fertilisers, Mumbai with effect from 15.02.2001. Shri. P.K. Ramdas, Director (Finance) relinquished office on 14.02.2001.

Shri P. Jayaraman, Director (Technical) superannuated from the Service of the Company on 30.09.2000.

Shri. K. Mohandas, Director resigned from the Board with effect from 23.04.2001.

Shri. Ravi Mathur, Director and Shri. Girish Sharma, Director resigned from the Board with effect from 02.01.2001 and 01.06.2001 respectively.

Dr. R.S. Venkataraman, Director resigned from the Board with effect from 28.06.2001.

The Board place on record its appreciation of the valuable services rendered by Shri V.N. Rai, Chairman and Managing Director, Shri. P. Jayaraman, Director (Technical), Shri P.K. Ramdas, Director (Finance), Shri. K. Mohandas, Director, Shri. Ravi Mathur, Director, Shri. Girish Sharma, Director and Dr. R.S. Venkataraman, Director.

AUDIT COMMITTEE

In line with the provisions of Section 292 A of the Companies (Amendment) Act, 2000 and Clause 49 of the Listing Agreement with Stock Exchanges, an Audit Committee of the Board has been constituted presently consisting of one official Director (Government of India nominee) and two non-official part-time Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

In the preparation of Annual Accounts, the applicable accounting standards have been



followed along with proper explanation relating to material departure.

Your Directors had selected such accounting policies and applied them consistently and made judgments 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 2000-2001 and of the loss of the Company for that period.

Your Directors had 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.

Your Directors had prepared the Annual Accounts on a going concern basis.

PUBLIC DEPOSITS

The total amount of Fixed Deposits mobilised by the Company as on 31st March 2001 was 4943.50 Lakhs. As on 31.03-2001 79 Depositors have not claimed their deposits amounting to Rs. 36.58 lakhs.

STATUTORY DISCLOSURES

Information regarding the conservation of energy, technology absorption and foreign exchange earnings and-outgo required as per 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/-

T.T. Thomas

Chairman and Managing Director

Udyogamandal
20.08.2001



ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY

Udyogamandal Division: Udyogamandal Division has taken effective steps to reduce energy consumption. In the New Ammonia Plant, Energy consumption per MT of Ammonia was only 8.5281 MKCal during 2000-01 compared to 9.1334 MKCal during 1999-2000.

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 the weak areas and rectify the defects.

Cochin Division: A detailed technical study was carried out during 1999-2000 on ammonia, urea and thermal plant to identify and eliminate the weak areas for achieving sustained improved performance of plants. The recommendation aimed at improving both the on stream and load factors of the plants results in consequent energy saving of 0.62 G.Cals/MT of Urea.

A scheme has been proposed to utilise the excess low pressure steam now being vented from sulphuric acid plant in ammonium plant by linking of steam net work between phase-1 and phase-2. This would result in an energy saving of about 0.34 G.Cals/MT. of ammonia for which the estimated cost is Rs.50 lakhs.

Petrochemical Division: The energy consumed for every tonne of Caprolactam produced during 2000-2001 was 12.83 MKCal/MT, which is the lowest since inception. The previous best figure was 13.199 MKCal/MT achieved during 1999-2000. Record capacity utilisation during 2000-2001 coupled with effective implementation of various energy saving measures as identified through 'Energy Audit' of the division, have contributed to this excellent performance.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation.

A heat exchanger has been installed for heating the water supplied to the Static Mixer in the Oxidation section of Anone Plant.

A scheme is being implemented in Cochin

Division Ammonia Plant to reduce the start up time of the plant.

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

The installation of the heat exchanger for heating the water supplied to the Static Mixer in the Oxidation section of Anone Plant, has resulted in reduced frequency of 'Boiling Outs' in the Cyclohexane distillation system. This has again, contributed to the achievement of a greater number of stream days and consequently an increased production of captive Cyclohexanone, which is an intermediate of Caprolactam.

The implementation of the scheme to reduce the start up time of Ammonia Plant in Cochin Division would result in the reduction of start up time from 80 hrs. to about 68 hrs. The scheme is to heat up the high temperature shift converter prior to the start up by introducing a bypass valve and line to HT converter. By implementation of this about 60 MT of fuel naphtha can be saved and production schedule can be advanced.

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	21846.69	33876.86
b) Spares and other materials	895.64	880.95
c) Capital Goods	276.59	248.50
	<u>23018.92</u>	<u>35006.31</u>
(ii) Expenditure in Foreign Currency (Cash Basis):		
a) Knowhow payments	0.00	9.34
b) Consultancy service	28.55	177.42
c) Others	222.92	239.44
	<u>251.47</u>	<u>426.20</u>
Total (i) + (ii)	<u>23270.39</u>	<u>35432.51</u>
(iii) Foreign exchange earned	<u>6503.57</u>	<u>3655.96</u>



FORM - A

Form for disclosure of particulars with respect to conservation of energy: 2000-2001

A. POWER AND FUEL CONSUMPTION

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
1) ELECTRICITY						
a) Purchased						
Unit: lakh KWH	624.56	543.30	1214.85	1185.35	299.06	142.76
Amount Rs. in lakhs	1549.00	1368.86	3048.45	2945.33	818.06	366.33
Rate/Unit: Rs./KWH	2.48	2.52	2.51	2.48	2.74	2.57
b) Own Generation						
i) Through Steam Turbine/Generator						
Unit: lakh KWH	268.09	257.21	782.65	846.74	588.18	712.77
Unit per litre of fuel						
KWH / litre	3.94	3.63	3.12	2.63	3.46	4.12
Cost/Unit: Rs./KWH	5.26	4.66	5.76	4.95	4.76	3.57
ii) Transfer from other Divisions						
Unit: Lakh KWH	2.08	154.63				
Unit per litre of fuel						
KWH / litre	3.46	4.12				
Cost/Unit: Rs./KWH	4.76	3.57				
2. FURNACE OIL/LSHS						
Quantity: Tonnes	47113.16	47443.03	115377.04*	123089.10	61130.53	72760.93
Total Cost Rs. in lakhs	4969.77	3996.27	16243.87*	12753.58	6868.42	6291.12
Average Rate Rs./MT	10548.58	8423.30	14078.94	10361.26	11235.66	8646.29

* Does not include Furnace oil/LSHS used for Catalyst reduction.