



दि फ़र्टिलाइज़र्स एण्ड केमिकल्स ट्रावन्कोर लिमिटेड
THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

NOTICE TO SHAREHOLDERS

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

Notice is hereby given that the 58th Annual General Meeting of the Company will be held on Friday, the 27th day of September, 2002 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, 2002 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. Sudhir Krishna who retires at this Annual General Meeting and being eligible offers himself for re-election.
3. To elect a Director in place of Shri Manish Gupta who retires at this Annual General Meeting and being eligible offers himself for re-election.

SPECIAL BUSINESS

To elect Shri D.C. Sorte as a Director of the Company.

The Company has received Notice in terms of Section 257 of the Companies Act, 1956 proposing Shri D.C. Sorte 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,
19th August 2002

- Note:
1. The Register of Members will be closed from 18th September, 2002 to 27th September, 2002 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.

Government of India vide order No. 106/3/2000-HR-I dated 28-1-2002 appointed Shri D.C. Sorte as Director (Technical) of the Company in pursuance of Article 80(c) of the Articles of Association of the Company. To comply with the relative company law requirement Shri. D.C. Sorte was co-opted as additional Director of the Company with effect from 4-2-2002. For a fresh term from the close of the Annual General Meeting, to meet the requirements under the Companies Act, he needs to be elected as a Director.

No Director other than Shri D.C. Sorte is interested in the resolution.

The Fertilisers And Chemicals Travancore Limited

GENERAL

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

REGISTERED OFFICE:

Eloor, Udyogamandal, Kochi, Kerala

PRODUCTION UNITS:**Fertilisers & Caprolactam**

Udyogamandal Complex,

Udyogamandal.

Fertilisers

Cochin Division, Ambalamedu.

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. S. Venkatram & Co., Chennai

BRANCH AUDITORS:

M/s. Ramanujam & Co.,

Bangalore

M/s. K.S. Ramakrishna & Co.,

Hyderabad

M/s. Varadarajan & Co.,

Chennai

M/s. S.S. Ayyar & Co.,

Kottayam

COST AUDITORS:

V.V. Ramankutty

Kochi

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.

BANKERS:

State Bank of Travancore

Bank of Baroda

State Bank of India.

State Bank of Hyderabad

Bank of India

Canara Bank

Dena Bank

SHARE TRANSFER AND DEPOSITORY AGENTS:

M/s. Cameo Corporate Services Limited.,

'Subramanian Building', No.1,

Club House Road, Chennai-600 002.

58th Annual Report 2001-2002

BOARD OF DIRECTORS

Shri. R.S. Shenoy
Chairman & Managing Director

Shri. D.N. Pradhan
Director (Finance)

Shri D.C. Sorte
Director (Technical)

Shri. Manish Gupta
Director

Shri. Sudhir Krishna
Director

Shri. N.R. Subramaniam
Director

—◆—
Chief Vigilance Officer

Shri. S. Balaji

The Fertilisers And Chemicals Travancore Limited

DIRECTORS' REPORT

To the Members,

The Directors have pleasure in presenting the 58th Annual Report of your Company together with the Audited Accounts and the Report of the Auditors for the year ended March 31, 2002.

Your Company has earned a small profit of Rs. 57 lakhs for the year 2001-2002 as against a loss of Rs. 151.95 crore during the year 2000-2001.

PERFORMANCE

	2001-2002	2000-2001
1. Production / In Tonnes		
Ammonium Sulphate	220945	238066
Factamfos 20:20	826119	838108
Urea	22260	275170
Caprolactam	48865	52541
2. Sales / In lakh Tonnes		
Fertilisers	12.26	14.80
Caprolactam	0.45	0.53
3. Financial / Rs. lakh		
Turnover	129388	184506
Profit/Loss(-) before tax	63	-15195
Provision for taxation	6	0.00
Profit/Loss after tax	57	-15195
Profit b/f from previous year	4558	19753
Profit available for appropriation	4615	4558
Balance carried to Balance sheet	4615	4558

Due to insufficient profit, your Directors are not recommending any dividend for the year 2001-2002.

During the year the Company had to cope up with many a situation with substantial effect on the profitability. Failure of RG Boiler in Cochin Division Ammonia Plant in July 2001 leading to the shut down of Urea Plant, Fire accident in the Thermal Plant of Caprolactam Plant, which necessitated stoppage of operations for three weeks in the plant, steep fall in the price of Caprolactam, increase in the price of petroleum products after showing downward trend in the beginning and un-remunerable selling price of Complex fertilizers were some of the factors which affected the performance of the Company adversely.

All the above factors contributed to a loss of Rs. 226 crore. However, during the year Government of India has sanctioned a financial assistance of Rs. 226.88 crore by waiver of outstanding interest for the period from 1998-99 to 2001-2002 on the OECF loan drawn from the Government. The profit of Rs. 63.36 lakh was arrived at after considering interest waiver up to 31-3-2001 amounting to Rs. 167.17 crore and not providing for interest for 2001-2002 amounting to Rs. 59.71 crore totaling to Rs. 226.88 crore.

PERFORMANCE OF DIVISIONS

Udyogamandal Division: The Division created new records in the production of Ammonium Phosphate and nutrient P2O5. Ammonium Phosphate production for the year was 206819 MT exceeding the previous highest of 205108 MT during 2000-01. Production of Nutrient P2O5 stood at 41364 MT as against the previous record of 41022 MT achieved during 2000-01.

The production of Ammonium Sulphate was 220945 MT as against the production of 238066 MT during 2000-01. Total production of Nutrient N is 86878 MT as against 90063 MT achieved during the previous year.

Cochin Division: The failure of RG boiler in Ammonia Plant in July 2001 brought operations in Phase-I plants to a stand still. There was no production of Urea till the end of the financial year. A new RG Boiler is on order with L & T and the Plants are expected to come on stream in October 2002.

Despite this major setback, the Division could produce 134099 MT of Nutrient Nitrogen and 123860 MT of Nutrient P2O5. The production of Complex Fertilisers stood at 619300 MT as against 633000 MT the previous year.

Petrochemical Division: The Division produced 48865 MT of Caprolactam as against 52541 MT in 2000-01. This represents a capacity utilization of 98% as against 105% for the previous year and is equivalent to 96% of MOU based annual target of 50700 MT.

Total sale of Caprolactam achieved in 2001-02 is 45178 MT against 52910 MT during 2000-01. Total sales turnover for financial year 2001-02 is Rs. 279 crore as against Rs. 383 crore during 2000-01.

Due to the decline in international prices, domestic price of Caprolactam had to be lowered on several occasions during the year 2001-02. Recessionary trend in the domestic Nylon sector continues in 2002-03 also, in spite of a marginal increase in international price. Price in the second quarter of 2002-03 is expected to be better in the domestic market.

Marketing Division: Despite the non-availability of Urea which accounted for a quantity of 2.71 lakh MT the previous year, the Division was able to sell 12.26 lakh MT of fertilizers as against 14.80 lakh MT during 2000-01. The sales value for 2001-02 was Rs. 995 crore as against Rs. 1433 crore during 2000-01. Sales of Urea the previous year had accounted for Rs. 439 crore including subsidy on Urea. As regards NPK, overcoming stiff competition from other players in the field, the Division could sell 8.10 lakh MT Factamfos.

The sales of Bio-fertilisers was 13.397 MT and the sales value was Rs.6.70 lakh during 2001-02. The sales value of pesticides was in the range of Rs. 5 lakh for the year.

Marketing Division continued with the regular sales promotional programmes like Agricultural Seminar, Fertiliser Demonstration, Krishi Vigyankendra, Soil sample analysis, special crop campaign etc for the year 2001-02. Bio-fertiliser demonstration and Integrated Pest Management (IPM) were the new programmes tried during the year 2001-02.

FACT Engineering and Design Organisation: FEDO achieved a turnover of Rs. 13 crore as against Rs. 22 crore the previous year. FEDO has strengthened its activities more in infrastructure development projects.

FACT Engineering Works: Turnover of FEW for the year 2001-02 was Rs. 704.28 lakh as against Rs.737.11 lakh during 2000-01. During the year FEW bagged orders worth Rs. 2356.95 lakh including a major cross country pipe line job from the Kerala Water Authority at Rs. 1736.91 lakh.

DIRECTORS' REPORT

EXPORTS

6851 MT of Caprolactam was exported as against 13124 MT during 2000-01. The fall in export during 2001-02 compared to the previous year was due to extremely low price levels that prevailed during the second half of the year in the world market. Present international price of US \$ 1040 C&F is expected to improve marginally during the rest of the year.

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 the 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.

PARLIAMENTARY COMMITTEE

During the year Committee on Public Undertakings, Standing Committee on Petroleum and Chemicals & The Committee on Government Assurance, Lok Sabha held discussions with Officials of FACT. The Committee of Parliament on Official Language visited our Madurai Regional Office and Bangalore Regional Office and inspected the progress of implementation of Official Language during the year.

AUDITORS

M/s. S Venkatram & Co., Chartered Accountants, was appointed and M/s. Menon & Menon, Chartered Accountants was re-appointed as Joint Statutory Auditors of the Company for the year 2001-02, by Comptroller and Auditor General of India.

M/s. K.S. Ramakrishna & Co., Chartered Accountants, was appointed and M/s. S.S. Ayyar & Co., Chartered Accountants, M/s. Ramanujam & Co., Chartered Accountants, and M/s. Varadarajan & Co., Chartered Accountants, were reappointed as Branch Auditors.

M/s. V.V. Ramankutty, Cost Accountant, Kochi, has been appointed as Cost Auditors of the Company for the year 2001-02 with the approval of the Government of India.

Comments: The statutory auditors in their report on the accounts for the year ended 31-03-2002 have made certain comments. These along with Company's replies thereto have been annexed to this report.

DIRECTORS

The Board place on record its appreciation of the valuable services rendered by Shri. V.N. Rai, Chairman and Managing Director, Shri. T.T. Thomas, Director (Marketing) & Acting Chairman and Managing Director, Shri. S. Balan, Director (Finance) Shri. L. Radhakrishnan, Director, Shri. A.N. Aggarwal, Director and Prof. R. Arockiasamy, Director.

AUDIT COMMITTEE

In line with the provision 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. The present composition of the Audit Committee is two Part-time official Directors and one functional Director.

CORPORATE GOVERNANCE

Your Directors are pleased to state that your Company has been practicing the principles of good Corporate Governance. The Board lays emphasis on transparency and accountability for the benefit of the Stake holders of the Company. Management discussion and Analysis Report and report on Corporate Governance in accordance with the listing agreement is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sec. 217 (2AA) of the Companies Act, 1956, your Directors hereby state:

- that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the directors had 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 as at March 31, 2002 and of profit and loss account for the year ended March 31, 2002.
- 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.
- that the 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 2002 was Rs. 5784 lakh. As on 31-03-2002, 59 Depositors have not claimed their deposits amounting to Rs. 26 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.

Particulars of employees as required under Section 217 (2A) of the Companies Act 1956 and Companies (Particulars of Employees) (Amendment) Rules 2002 are attached as Annexure.

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 and look forward to their dedicated services and endeavour in the years ahead to enable the Company to scale 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/-)

Udyogamandal
13-08-2002

R.S. Shenoy
Chairman and Managing Director

The Fertilisers And Chemicals Travancore Limited

DIRECTORS' REPORT

ANNEXURE TO DIRECTORS' REPORT

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

A. Conservation of Energy

Udyogamandal Division: The raw materials/utilities consumption of all the products is monitored regularly by evaluating the critical parameters. Specific energy consumption of individual products is determined daily and reports submitted for taking action wherever corrective actions are necessary. The raw material/energy efficiency studies are done on a regular basis to identify the weak areas and rectify the defects.

In the new Ammonia Complex, the overall energy consumption per MT of Ammonia was only 8.48 MK Cal during 2001-02 compared to 8.53 MK Cal during 2000-01.

Cochin Division: A scheme is being implemented to utilize the excess low pressure steam from Sulphuric Acid Plant being vented by linking of steam network between Phase-I and Phase-II. This would result in an energy saving of about 0.34 G cal/MT of Ammonia.

Installation of Thermo Compressor System at a cost of Rs. 30 lakh 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.

Petrochemical Division: The energy consumed for every tonne of Caprolactam produced during 2001-02 was 12.563 MK Cal/MT, which is the lowest since inception. Effective implementation of various energy saving measures identified through 'Energy Audit' has contributed to this excellent performance.

Details of Power and Fuel Consumption in our three production divisions are given in item (a) in Form (A). Consumption per unit of production is given as item B.

C. Foreign Exchange Earnings and Outgo

Details of foreign exchange earnings and outgo are given below.

B. Technology Absorption, Adaptation and Innovation

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

A Gasketed Plate Heat Exchanger located in the Hyam Plant was replaced with a 'welded' version during the Annual Turn around of 2001.

A scheme to reduce start up time of Ammonia Plant in Cochin Division has been implemented.

- Benefit derived as a result of the above efforts:

The replacement of Gasketed Plate Heat Exchanger, has resulted in reduction of loss of process fluid namely, Hadsa/Hyam. Apart from this, the replacement would have the benefit of preventing any accidental spillage of the streams rich in Ammonical Nitrogen, which is an environment pollutant. This has also resulted in reduction of downtime in Hyam Plant due to frequent failure of gaskets used in the earlier Plate Heat Exchanger.

The implementation of scheme to reduce start up time of Ammonia Plant would result in the reduction of start up time by 12 hours.

Details of Research & Development (R & D) activities.

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Outgo	Current Year Rs. in lakh	Previous Year Rs. in lakh
(i) C.I.F Value of imports:		
(a) Raw Materials	25269.45	25607.64
(b) Spares and other materials	529.57	895.64
(c) Capital Goods	570.53	276.59
	26369.55	26779.87
(ii) Expenditure in Foreign Currency (Cash Basis):		
(a) Knowhow payments	0.00	0.00
(b) Consultancy service	14.38	28.55
(c) Others	170.24	222.92
	184.62	251.47
TOTAL (i) + (ii)	26554.17	27031.34
(iii) Foreign exchange earned	2698.65	6503.57

DIRECTORS' REPORT

FORM - A

Form for disclosure of particulars with respect to conservation of energy: 2001-2002

(A) POWER AND FUEL CONSUMPTION

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001
1) ELECTRICITY						
(a) Purchased						
Unit: Lakh KWH	607.22	624.56	706.95	1214.85	298.11	299.06
Amount Rs. in Lakh	1765.86	1549.00	2142.62	3048.45	887.81	818.06
Rate/Unit: Rs./KWH	2.91	2.48	3.03	2.51	2.98	2.74
(b) Own Generation						
(i) Through Steam Turbine/Generator						
Unit: Lakh KWH	245.90	268.09	110.84	782.65	529.239	588.18
Unit per litre of fuel KWH/litre	3.04	3.94	3.05	3.12	3.36	3.46
Cost/Unit: Rs./KWH	4.63	5.26	4.78	5.76	4.72	4.76
(ii) Transfer from other Divisions						
Unit: Lakh KWH	2.87	2.08				
Unit per litre of fuel KWH/litre	3.36	3.46				
Cost/Unit: Rs./KWH	4.72	4.76				
2) FURNACE OIL/LSHS						
Quantity: Tonnes	43701.02	47113.16	29769.36	115377.04	55333.79	61130.53
Total cost Rs. in Lakh	4108.84	4969.77	3478.38	16243.87	5475.89	6868.42
Average Rate Rs./MT	9402.16	10548.58	11684.43	14078.94	9896.11	11235.66

(B) CONSUMPTION PER UNIT OF PRODUCTION.

SL No.	Product	ELECTRICITY			NAPHTHA			FURNACE OIL/LSHS		
		Unit	2001-2002	2000-2001	Unit	2001-2002	2000-2001	Unit	2001-2002	2000-2001
1	UDYOGAMANDAL DIVISION									
	Ammonia	KWH	1279	1967	MT	1.0008	1.0631			
	Ammonia - new plant	KWH	71	88	MT	0.6737	0.6761	MT	0.1347	0.1336
	Sulphuric acid	KWH	47	50						
	Phosphoric acid	KWH	290	284						
	Ammonium sulphate	KWH	41	42						
	Factamfos 20:20	KWH	45	42				MT	0.0153	0.0169
2	COCHIN DIVISION									
	Ammonia #	KWH	986	475	MT	1.262	0.994	MT	0.0006	0.061
	Sulphuric acid	KWH	26	23					0.004	0.002
	Phosphoric acid	KWH	255	243						
	Urea #	KWH	295	209						
	Complex Fertilisers	KWH	62	55				MT	0.0125	0.021
3	PETROCHEMICAL DIVISION									
	Caprolactam	KWH	1712	1690				MT	1.01177	1.1723

* Includes oil used for power generation

The specific consumption of power and naptha during 2001-02 for Ammonia/Urea were high due to non operation of the plants since July 2001

The Fertilisers And Chemicals Travancore Limited

DIRECTORS' REPORT

FORM - B

RESEARCH AND DEVELOPMENT (R & D)

1. Specific Areas on which R & D is carried out by the Company

i) Use efficiency improvement studies:

Slow release formulations developed by FACT R&D are being field tested for their improved use efficiency by Tamil Nadu Agricultural University, Coimbatore, for the crops cotton and Turmeric. Two field trials are over and the results are encouraging. The third trial is going.

ii) Bio-fertilizer production:

The fully automatic Bio-fertilizer plant-the first of its kind in India has started commercial production in February 2000. The plant is streamlined to meet the entire requirements of our Marketing Division. Presently we are producing Rhizobium, Asospirillum and Basillus Megatherium (Phosphobacter).

iii) Rock Phosphate Characterisation

FACT uses various imported Rock Phosphates as raw materials for its phosphoric acid plants. Prior to the use in the plant, R&D evaluates their suitability for production. Our expertise in the field is also extended to outside parties on payment basis.

2. Benefits derived

As per the Marketing requirements we have produced 13.40 tonnes of bio-fertilizer for the southern markets during the year.

3. Future Plan of Action

- i) Studies to improve the shelf life of Bio-fertilizers incorporating indigenously available cheaper carrier materials.
- ii) Evaluation studies of Slow Release Fertilizers on Turmeric and Cotton
- iii) Exploratory studies to make concrete bricks using phosphogypsum.
- iv) Studies to explore the possibilities of converting the waste fabricating oils from production plants into paints and grease.

4. Expenditure on R&D

Year	Capital Rs. in lakh	Revenue Rs. in lakh	Total Rs. in lakh	As % of total Turnover
1999-2000	0.16	67.00	67.16	0.043
2000-2001	5.53	72.09	77.62	0.044
2001-2002	2.91	80.22	83.13	0.069

COMMENTS OF THE STATUTORY AUDITORS AND COMPANY'S REPLIES ON THE ACCOUNTS FOR THE YEAR ENDED 31-3-2002

COMMENT: (vi) a) The valuation of closing stock of fertilizers is not in accordance with the Accounting Standard 2 issued by the Institute of Chartered Accountants of India because of inclusion of Freight in the cost of inventories. (Profit overstated by Rs. 574.40 lakh).

REPLY: The comment is with reference to valuation of stock of Factamfos 20:20 at field warehouses. The Accounting Standard-2 has become mandatory effective from 1-4-1999 and the Company have not deviated from the practice. We are consistently following the AS-2 with regard to valuation of inventories. As per Para No. 6 of Accounting Standard 2 "the cost of inventory should comprise of costs of purchases, costs of conversion and other costs incurred in the bringing the inventories to the present location and condition". FACTAMFOS 20:20 is sold through company's Agro Sales Centres located in many places in all the Southern States of Kerala, Tamilnadu, Karnataka and Andhra Pradesh. The Company is not selling the product at factory gate. The Freight incurred for movement of the product is the cost to be recognized for comparison of the net realization at that stage. For the purpose of comparison of cost/ net realization at the point of field warehouses the comparison of cost including freight with net realization alone will give the correct picture. We also understand that some other fertilizer companies are also following the same method. This practice has been followed by FACT consistently and is part of the Company's Accounting Policy Statement.

In view of the above, the profit is not overstated as commented by Auditors.

COMMENT: (vi) b) The quantum in respect of the following and its impact on the accounts are not ascertainable: - i) Recognition of income and inclusion of administrative and general overheads of the service units of the Company while arriving at the cost of self constructed asset are not in accordance with Accounting Standards on "Revenue Recognition" (AS-9) and "Accounting for Fixed Assets" (AS-10) issued by the Institute of Chartered Accountants of India.

REPLY: Disclosure of services done by FEDO and FEW for other units under the head "Services for own units" will only reflect the value of services done by these two service units, as they are income earned by providing services and not by manufacture of fertilizers. Hence disclosure of income under "Services for own units" is in order and in the true spirit of bringing transparency in the activities of the Company.

DIRECTORS' REPORT

The Accounting Standard – 9 & 10 has become mandatory effective from 1-9-1997 and we are consistently following AS-9 & 10. The Company has not changed the application of the Accounting Standards that are followed by us for all these years. FEDO being a design organization and FEW being an engineering workshop the actual cost incurred by these divisions have necessarily to be absorbed by the production divisions in proportion to the work done for respective divisions. The expenditure on procurement of equipment, installation etc., of service units are debited to the production divisions for accounting as real cost and capitalized.

COMMENT: ii) Non-declaration of Retention Price on urea by the Government of India under VII and VIII Pricing Method.

REPLY: Refer Note No. 11, Schedule 20 – Notes on Accounts.

COMMENT: iii) Inclusion of subsidy on complex fertilizers for the half year ended 31st March 2002 based as per past practice pending announcement of the final subsidy.

REPLY: Refer Note No. 15, Schedule 20 – Notes on Accounts.

COMMENT: vi) c) The impact of the following on the accounts is not ascertainable on account of the uncertainties associated therewith:-i) Recognition as income of the waiver of interest (of Rs.167.171 crores on OECF Loan) and non charging of interest of Rs. 59.71 Crore for the current year which are to be supplemented by saving and cost reduction measures committed by the Company while seeking relief (Note 16 of the Notes on Accounts)

REPLY: The Government of India, vide letter dated 18/3/2002 conveyed the sanction of financial assistance to FACT. In the second Para of this letter, it was only indicated that the financial relief package from the Government would be supplemented by the savings and cost reduction measures committed by the Company while seeking financial assistance from the Government.

Thus it can be seen that no precondition is attached while granting financial relief but there is only a provision for savings and cost reduction measures to be adopted by the Company in future. As the Government has not stipulated any condition there is no question of any impact on the accounts as on 31-3-2002.

COMMENT:ii) Non provision of the Arrears of Salaries and Wages for the period from 1-1-97 to 30-6-2001 and perquisite and other allowances for the period from 20-10-2000 to 30-6-2001, pending clarification from Government of India. (Note No. 17 of the Notes on Accounts).

REPLY: As per Government Order the arrears payment for the period 1-1-1997 to 30-6-2001 is subject to the following conditions:-

(a) The Company should earn continuous profit for at least 3 years. (b) Review by DOF/Government of the financial position of the Company and the capacity of the Company to pay such arrears.

Based on the above review, the Government, if satisfied, will issue necessary orders for payment of arrears and its quantum.

Since the above conditions have not been fulfilled and no review has been made by the Government nor any such directive has been issued by the Government, there is absolutely no liability on the Company as on 31-03-2002.

COMMENT: We further report that, without considering the items reported in paras (b) and (c) hereinabove, had the items reported in para (a) hereinabove been considered, the loss for the year would have been Rs. 511.04 lakh (as against the reported profit of Rs. 63.36 lakh before provision for taxation), Reserves & Surplus would have been Rs. 5771.99 lakh (as against the reported figure of Rs. 6346.39 lakh), the inventory under current assets would have been Rs. 29270.80 lakh (as against the reported figure of Rs. 29845.20 lakh).

REPLY: In view of the replay given above against Auditor's comments in Para vi (a), there is no effect on the profit of the Company or on Current Assets valuation.

Additional points under Manufacturing and other Companies (Auditors' Report) Order 1988.

QUERY: 3. The stocks of finished goods and raw materials have been physically verified during the year by the management except for non-verification of certain bulk volume items, which was originally to be verified during the year 2001-02 but not done. Subject to the above, in our opinion, the frequency of verifications is reasonable.

REPLY: Refer Note No. 9 C – Schedule 20 – Notes on Accounts.

QUERY: 10. The company has given loans to its employees who are repaying the principal amounts as stipulated and have also been regular in the payment of interest except for a festival advance amounting to Rs. 41.23 lakhs, which the Company is yet to recover from its employees.

REPLY: At the time of long Term Settlement with the trade unions the understanding was that this amount of advance paid to employees will be adjusted against the wage revision arrears. However, since a decision on arrears payment is yet to be made, the adjustment is being made at the time of retirement/separation of employee from company's services.

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULE 1975 AS AMENDED

EMPLOYED FOR PART OF THE FINANCIAL YEAR

Name, Experience (Years), Qualification and Designation	Date of Joining	Age	Remuneration Received (Rs.)	Last employment held
Shri V.N. Rai (34) B. Tech (Hons), Mech. Engg., PGDIR & PM, AIMA Diploma in Management Chairman & Managing Director	15-12-1998	56 years	1041512.62*	Chairman & Managing Director Fertiliser Corporation of India Limited (FCI)

*Include Leave Encashment (Rs. 5.75 lakh) and Gratuity (Rs. 3.50 lakh) transferred to his present employer.

The Fertilisers And Chemicals Travancore Limited