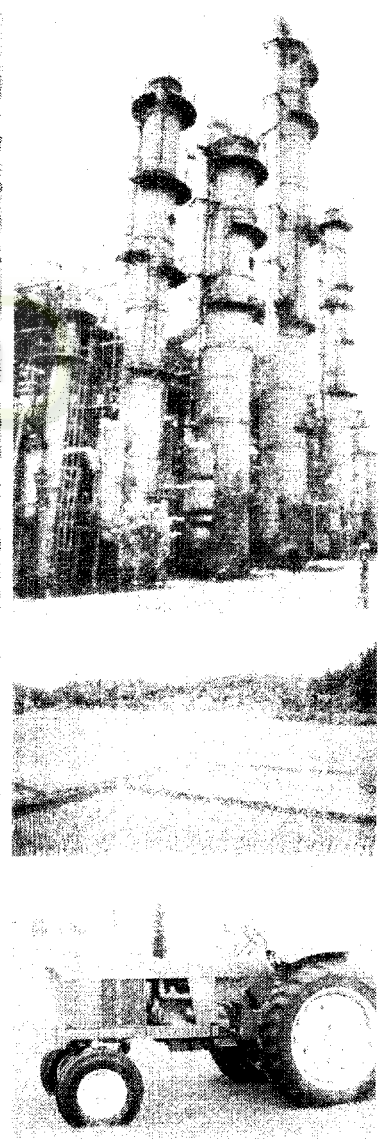


61st

वार्षिक रिपोर्ट
Annual Report 2004-05



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

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2004-2005

61st Annual Report

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 61st Annual General Meeting of the Company will be held on Friday, the 30th day of December, 2005 at 10.00 AM at the Udyogamandal Club 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, 2005 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 D.C. Sorte who retires at this Annual General Meeting and being eligible offers himself for re-election.

Special Business

3. To elect Shri Tejinder Singh Laschar as a Director of the Company.

The Company has received Notice in terms of Section 257 of the Companies Act, 1956 proposing Shri Tejinder Singh Laschar for election as a Director of the Company at this Annual General Meeting.

4. To elect Shri Vijay Chhibber as a Director of the Company

The Company has received Notice in terms of Section 257 of the Companies Act, 1956 proposing Shri Vijay Chhibber for election as a Director of the Company at this Annual General Meeting

5. To resolve not to fill the vacancy caused by the retirement of Dr. B.S. Ghuman, Director at this Meeting and consider and if thought fit pass

with or without modification, the following resolution as an ordinary Resolution.

RESOLVED that the place of the retiring director Dr. B.S. Ghuman be not filled up at this meeting and the Board of Directors be authorised to co-opt a director in that place to hold office until the next Annual General Meeting.

6. To resolve not to fill the vacancy caused by the retirement of Dr. Ranbir Singh Sarao, Director at this Meeting and consider and if thought fit pass with or without modification, the following resolution as an ordinary Resolution.

RESOLVED that the place of the retiring director Dr. Ranbir Singh Sarao, be not filled up at this meeting and the Board of Directors be authorised to co-opt a director in that place to hold office until the next Annual General Meeting.

7. To resolve not to fill the vacancy caused by the retirement of Shri K.V. Menon, Director at this Meeting and consider and if thought fit pass with or without modification, the following resolution as an ordinary Resolution

RESOLVED that the place of the retiring director Shri K.V. Menon, be not filled up at this meeting and the Board of Directors be authorised to co-opt a director in that place to hold office until the next Annual General Meeting.

8. To resolve not to fill the vacancy caused by the retirement of Shri R Krishna Iyer, Director at this Meeting and consider and if thought fit pass with or without modification, the following resolution as an ordinary Resolution

61st Annual Report

RESOLVED that the place of the retiring director Shri R Krishna Iyer, be not filled up at this meeting and the Board of Directors be authorised to co-opt a director in that place to hold office until the next Annual General Meeting.

9. To resolve not to fill the vacancy caused by the retirement of Prof.R.Arockiasamy, Director at this Meeting and consider and if thought fit pass with or without modification, the following resolution as an ordinary Resolution

RESOLVED that the place of the retiring director Prof.R.Arockiasamy, be not filled up at this meeting and the Board of Directors be authorised to co-opt a director in that place to hold office until the next Annual General Meeting.

By Order of the Board of Directors.

Sd/-

K.Padmadasan
Company Secretary

Eloor, Udyogamandal

29 -11-2005

Note:

1. The Register of Members will be closed from 23rd December 2005 to 30th December 2005 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.3

Government of India vide Order No. 130/8/2003-HR-I dated 13th June 2005 appointed Shri Tejinder Singh Laschar, Economic Adviser, Department of

Fertilisers as a Part-time Official Director 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 Tejinder Singh Laschar was co-opted as additional Director of the Company with effect from 29-07-2005. 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. None of the Directors other than Shri Tejinder Singh Laschar is interested in the resolution.

Item No.4

Government of India vide Order No.130/8/2003-HR-I dated 23rd August 2005 appointed Shri Vijay Chhibber, Joint Secretary, Department of Fertilisers as a Part-time Official Director of the Company in pursuance of Article 80(c) of the Articles of Association of the Company. To comply with the relative Company Law requirements, Shri Vijay Chhibber was co-opted as additional Director of the Company with effect from 05-09-2005. 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.

None of the Directors other than Shri Vijay Chhibber is interested in the resolution.

Item No.5

Government of India, Ministry of Chemicals & Fertilisers vide Order No.130/18/2001/HR-I dated 3rd December 2002 notified the appointment of Dr. B.S.Ghuman, Professor & Former Chairman, Dept. of Public Administration, Punjab University as Part Time Non-Official Director on the Board of Directors of FACT for a period of three years.

Dr. B.S. Ghuman, was co-opted as Director with effect from 13th December 2002 and elected as a Director at the 59th Annual General Meeting & re-elected at the 60th Annual General Meeting.

Since the three year term of Dr. B.S. Ghuman comes to an end on 12th December 2005 and we have not received any advice from the Government of India regarding the appointment of Part Time Non-Official Directors, we propose not to fill the vacancy caused by the retirement of Dr. B.S. Ghuman.

2004-2005**61st Annual Report**

None of the Directors other than Dr. B.S. Ghuman is interested in the resolution.

Item No.6

Government of India, Ministry of Chemicals & Fertilisers vide Order No.130/18/2001/HR-I dated 3rd December 2002 notified the appointment of Dr. Ranbir Singh Sarao, Ex-Director-cum-Professor, IAS Training Centre, Punjab University as Part Time Non-Official Director on the Board of Directors of FACT for a period of three years.

Dr. Ranbir Singh Sarao, was co-opted as Director with effect from 13th December 2002 and elected as a Director at the 59th Annual General Meeting & re-elected at the 60th Annual General Meeting.

Since the three year term of Dr. Ranbir Singh Sarao comes to an end on 12th December 2005 and we have not received any advice from the Government of India regarding the appointment of Part Time Non-Official Directors, we propose not to fill the vacancy caused by the retirement of Dr. Ranbir Singh Sarao.

None of the Directors other than Dr. Ranbir Singh Sarao is interested in the resolution.

Item No.7

Government of India, Ministry of Chemicals & Fertilisers vide Order No.130/18/2001/HR-I dated 3rd December 2002 notified the appointment of Shri K.V. Menon, Ex-CMD, Madras Fertilizers Limited (MFL) as Part Time Non-Official Director on the Board of Directors of FACT for a period of three years.

Shri K.V. Menon, was co-opted as Director with effect from 13th December 2002 and elected as a Director at the 59th Annual General Meeting & re-elected at the 60th Annual General Meeting.

Since the three year term of Shri K.V. Menon comes to an end on 12th December 2005 and we have not received any advice from the Government of India regarding the appointment of Part Time Non-Official Directors, we propose not to fill the vacancy caused by the retirement of Shri K.V. Menon.

None of the Directors other than Shri K.V. Menon is interested in the resolution.

Item No.8

Government of India, Ministry of Chemicals & Fertilisers vide Order No.130/18/2001/HR-I dated 3rd December 2002 notified the appointment of Shri R Krishna Iyer, Chartered Accountant, Cochin as Part Time Non-Official Director on the Board of Directors of FACT for a period of three years.

Shri R Krishna Iyer, was co-opted as Director with effect from 13th December 2002 and elected as a Director at the 59th Annual General Meeting & re-elected at the 60th Annual General Meeting.

Since the three year term of Shri R. Krishna Iyer comes to an end on 12th December 2005 and we have not received any advice from the Government of India regarding the appointment of Part Time Non-Official Directors, we propose not to fill the vacancy caused by the retirement of Shri R. Krishna Iyer.

None of the Directors other than Shri R. Krishna Iyer is interested in the resolution.

Item No.9

Government of India, Ministry of Chemicals & Fertilisers vide Order No.130/18/2001/HR-I dated 3rd December 2002 notified the appointment of Prof.R.Arockiasamy, IIT, Delhi as Part Time Non-Official Director on the Board of Directors of FACT for a period of three years.

Prof.R.Arockiasamy, was co-opted as Director with effect from 13th December 2002 and elected as a Director at the 59th Annual General Meeting & re-elected at the 60th Annual General Meeting.

Since the three year term of Prof.R.Arockiasamy comes to an end on 12th December 2005 and we have not received any advice from the Government of India regarding the appointment of Part Time Non-Official Directors, we propose not to fill the vacancy caused by the retirement of Prof.R.Arockiasamy.

None of the Directors other than Prof.R.Arockiasamy is interested in the resolution.

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

BOARD OF DIRECTORS

Dr. G.C. Gopala Pillai
Chairman & Managing Director

Shri. R.S. Shenoy
Director (Marketing)

Shri. D.N. Pradhan
Director (Finance)

Shri. D.C. Sorte
Director (Technical)

Shri. Vijay Chhibber
Director

Shri. Tejinder Singh Laschar
Director

Dr. B.S. Ghuman
Director

Dr. Ranbir Singh Sarao
Director

Shri. K.V. Menon
Director

Shri. R. Krishna Iyer
Director

Prof. R. Arockiasamy
Director

Chief Vigilance Officer
Shri. J.K. Khanna

Company Secretary
Shri. K. Padmasan

REGISTERED OFFICE :

Eloor, Udyogamandal,
Kochi, Kerala

STATUTORY AUDITORS:

M/s. Ayyar & Cherian,
Kochi

BRANCH AUDITORS:

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

M/s. Ramani & Ramanujam,
Chennai.

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

2004-2005

61st Annual Report

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 61st Annual Report of your Company together with the Audited Accounts for the year 2004-05, the Report of the Auditors and Review and Comments of the Comptroller and Auditor General of India.

PERFORMANCE

PRODUCTION, SALES AND PROFITABILITY

		2004-2005	2003-2004
1	Production / In Tonnes		
	Ammonium Sulphate	200564	190268
	Factamfos 20:20	560788	567678
	Caprolactam	44932	41794
2	Sales / In lakh Tonnes		
	Fertilisers	7.84	7.79
	Caprolactam	0.48	0.39
3	Financial / Rs.lakh		
	Turnover	121469	97812
	Profit / Loss (-) before tax	(-)16776	(-)16722
	Provision for taxation –Earlier years	20.03	0
	Profit / Loss(-) after tax	(-)16796	(-)16722
	Profit/Loss b/f from previous year	(-)30560	(-)13839
	Impairment Loss – Transitional period	(-)3346	0
	Net deficit carried to Balance Sheet	(-)50628	(-)30561

There has been a 24% increase in turnover over that of the previous year. Production and sales of Caprolactam & Ammonium Sulphate registered significant improvement in the year under report. However, Factomfos production marginally fell short of the actuals for the previous year, owing to a forced extended maintenance shutdown owing to restricted availability of working capital.

During the year, the Company had to cope up with steep increases in raw material prices and limited working capital. However, despite these negative aspects, the Company could reduce cash loss by adopting cost reduction measures, among others, switchover to a cheaper mode of Ammonia transportation, reduction in employee strength through VRS and better realization on Caprolactam.

It may be recalled that the Company had not provided in the accounts for the previous year interest on GOI loans to the extent of Rs.34.80 crore anticipating relief package from the GOI. The Statutory auditors had qualified the accounts for

non-provision of the interest. Your Directors while considering the accounts for the year under report, took a view on this and decided that interest on GOI loans for both the years be provided in the accounts.

On adoption of accounts for the year 2004-05, the net worth of the company will become negative which will attract the provisions of Sick Industrial Companies (Special Provisions) Act, 1985.

The financial relief package proposals submitted by the company is under the consideration of the Government of India/Board for Reconstruction of Public Sector Enterprises (BRPSE). Your company expect an early sanction of the financial relief package and this will mark the beginning of the turnaround process for the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report covering the operational aspects during the year 2004-05 is enclosed.

61st Annual 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 has been followed along with proper explanation relating to material departures.
- that the 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 as at March 31, 2005 and of profit and loss account for the year ended March 31, 2005.
- 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.

REPORT ON 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. Report on Corporate Governance in accordance with the listing agreement is annexed to this report.

STATUTORY AUDITORS, COST AUDITORS

M/s. Ayyar & Cherian, Chartered Accountants, Kochi was re-appointed as Statutory Auditors of the Company for the year 2004-05 by the Comptroller and Auditor General of India. M/s. Ramani & Ramanujam, Chartered Accountants, Chennai was appointed as Branch Auditors for Tamilnadu and Kerala area and M/s. K.S.Ramakrishna & Co., Chartered Accountants, Hyderabad was re-appointed as Branch Auditors for Karnataka and Andhra Pradesh area of the Company for the year 2004-05 by Comptroller and Auditor General of India.

The statutory auditors in their report on the accounts for the year ended 31-03-2005 have made certain qualifications. These along with Company's replies

thereto have been annexed to this report.

M/s.N P Gopalakrishnan & Co., Cost Accountants, Kochi has been appointed as Cost Auditors of the Company for the year 2004-05 with the approval of the Government of India.

DIRECTORS

RETIREMENT & APPOINTMENTS

Government of India, Ministry of Chemicals & Fertilisers vide order No.106/1/2003-HR-I dated 24.06.2005 appointed Dr. G.C. Gopala Pillai as Chairman & Managing Director of the Company. Dr. G.C. Gopala Pillai has taken over the charge of the Chairman and Managing Director on 4.7.2005 from Shri S. Balan, Chairman & Managing Director, Rashtriya Chemicals and Fertilisers Ltd. who had been entrusted with the additional charge of the C&MD, FACT with effect from 01.03.2004.

Government of India, Ministry of Chemicals & Fertilisers vide order No.130/8/2003-HR-1 dated 13th June 2005 notified the appointment of Shri Tejinder Singh Laschar, Economic Advisor, Department of Fertilisers as Part-time Official Director in place of Shri Rajneesh Goel, Director on the Board of Directors of FACT.

Government of India, Ministry of Chemicals & Fertilisers vide order No.130/8/2003-HR-1 dated 23rd August 2005 notified the appointment of Shri Vijay Chhibber, Joint Secretary, Department of Fertilisers as Part-time Official Director in place of Shri M.G. Banga, Director on the Board of Directors of FACT.

Your Directors placed on records its appreciation of the valuable services rendered by Shri S. Balan, Shri Rajneesh Goel, and Shri M.G. Banga.

AUDIT COMMITTEE

CONSTITUTION, COMPOSITION

In line with the Provisions of Section 292(A) of the Companies (Amendment) Act 2000 and Clause 49 of the listing agreement with Stock Exchange, an Audit Committee of the Board has been constituted. Three Part-time non-official Directors are members of the Audit Committee.

PUBLIC DEPOSITS

UNCLAIMED DEPOSITS etc.

The total amount of Fixed Deposits mobilised by the Company as on 31st March 2005 was Rs.2270 lakh. As on 31-03-2005, 17 Depositors have not

2004-2005**61st Annual Report**

claimed their deposits amounting to Rs.11 lakh.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information regarding the conservation of energy, technology absorption, adaptation & innovation 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.

EMPLOYEES PARTICULARS, REMUNERATION etc.

During the year no employee had received remuneration with in 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

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/-

Dr.G.C.Gopala Pillai

Chairman and Managing Director

Udyogamandal

Date: 27-11-2005

ANNEXURE TO DIRECTORS' REPORT

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

A. Conservation of Energy

Raw Material/Utilities consumption of all the products is monitored regularly by evaluating the critical parameters. Specific energy consumption of the individual products is determined daily and reports submitted for taking corrective action. The raw material/energy efficiency studies are done on a monthly basis to identify the weak areas and rectify the defects. In the new Ammonia Plant, the energy consumption per MT of Ammonia was 8.9513 MKCal/MT during 2004-05 in spite of low load running of the plant for limiting the production to match with stock position and the consumption in various plants.

In order to reduce the electrical energy consumption, we have taken measures for replacing the Fluorescent Tube fittings and Incandescent lamps with CFL fittings. Boiler Tubes were cleaned as a part of annual maintenance and steam leaks rectified as and when noticed to prevent energy loss.

B. Technology Absorption, Adaptation and Innovation

Efforts in brief

Trays 1 to 4 of Rectification section and trays 1 to 5 of Distillation Section of the 3rd Cyclohexane Distillation column in Anone Plant of Petrochemical Division were replaced in April-May 2004.

In Cochin Division, modification was carried out in NP Plant to control furnace oil supply to dryer furnace from control room.

In Cochin Division, a scheme for running cold well pump in SAP utilising excess steam available at SAP and a scheme for utilising steam from SAP in Canteen are being implemented.

Benefits derived

After the replacement of Trays in Petrochemical Division, the average caustic consumption has

61st Annual Report

come down from 0.132 MT per MT of Anone produced for the year 2003-04 to 0.127 MT per MT of Anone produced for the year 2004-05. This has also reduced byproduct formation. The savings in caustic consumption alone is nearly 125 MT. The Boiling out frequency of the distillation columns was also improved from 3 to 2 for the year 2004-05 and excess production of Anone achieved is nearly 400 MT.

The implementation of scheme for running cold well pump in SAP utilising excess steam available at SAP will result in an annual savings of about Rs.60 lakh. The utilisation of steam from SAP in Canteen will result in an annual savings of Rs.11.3 lakh.

The modification carried out in NP Plant to control furnace oil supply to dryer furnace from Control Room resulted in reducing furnace oil consumption. An annual saving of about Rs.30 lakh is anticipated

R&D Activities

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

C. Foreign Exchange Earnings and Outgo – Details of activities relating to export, initiative taken to increase export; Development of new export market.

A quantity of 13311 MT of Caprolactam was exported during the financial year 2004-05 against 7038 MT during 2003-04. The export was mainly to China. We are now a Two Star Export House based on the exports done during the past 3 years.

During the year 2004-05, FACT has developed markets in foreign countries for fertilisers. During the year, FACT exported Ammonium Sulphate to countries like Bangladesh, Nepal Sri Lanka, Oman and Saudi Arabia.

Details of foreign exchange earnings and outgo are given separately.

FOREIGN EXCHANGE EARNINGS AND OUTGO		
	Current Year Rs. in lakh	Previous Year Rs. in lakh
Foreign Exchange Outgo		
(i) C.I.F. Value of imports:		
(a) Raw Materials	19013.05	13844.96
(b) Spares and other materials	266.55	428.01
(c) Capital Goods	0.00	6.73
	19279.60	14279.70
(ii) Expenditure in Foreign Currency (Cash Basis):		
(a) Consultancy service	46.00	1.15
(b) Others	14.20	37.42
	60.20	38.57
TOTAL (i) + (ii)	19339.80	14318.27
Foreign exchange earned	12839.38	3836.65

2004-2005

61st Annual Report

FORM -A

Form for disclosure of particulars with respect to conservation of energy : 2004-2005

(A) POWER AND FUEL CONSUMPTION

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
1) ELECTRICITY						
(a) Purchased Unit lakh KWH	488.44	502.41	587.88	560.69	249.22	258.31
Amount Rs. in Lakh	1769.93	1859.43	2136.59	2075.22	955.66	956.31
Rate / Unit: Rs / KWH	3.62	3.70	3.63	3.70	3.83	3.70
(b) Own Generation						
(i) Through Steam Turbine/ Generator Unit: Lakh KWH	233.99	227.58	-	-	597.90	547.82
Unit per litre of fuel KWH/litre	3.54	3.53	-	-	3.61	3.67
Cost / Unit: Rs /KWH	5.43	4.83	-	-	6.62	5.59
(ii) Transfer from other Divisions Unit : Lakh KWH	-	0.20	-	-	-	-
Unit per litre of fuel KWH / litre	-	3.67	-	-	-	-
Cost / Unit : Rs / KWH	-	5.59	-	-	-	-
2) FURNACE OIL / LSHS						
Quantity : Tonnes	49891.97	48033.89	9725.08	9175.13	47686.91	48770.75
Total Cost Rs. in Lakh	6230.89	5439.67	1364.84	1176.60	5910.49	5479.87
Average Rate Rs. / MT	12488.76	11324.65	14034.23	12823.80	12394.37	11235.98

(B) CONSUMPTION PER UNIT OF PRODUCTION

Sl. No.	PRODUCT	ELECTRICITY			NAPHTHA			FURNACE OIL / LSHS		
		Unit	2004-05	2003-04	Unit	2004-05	2003-04	Unit	2004-05	2003-04
1.	UDYOGAMANDAL DIVISION									
	Ammonia - new plant	KWH	116	89	MT	0.6800	0.6798	MT	0.1679	0.1689*
	Sulphuric acid	KWH	57	61						
	Phosphoric acid	KWH	340	282						
	Ammonium sulphate	KWH	43	45						
	Factamfos 20:20	KWH	59	49				MT	0.0212	0.0185
2.	COCHIN DIVISION									
	Sulphuric acid	KWH	21	21	MT			MT	0.0009	0.0007
	Phosphoric acid	KWH	228	249						
	Complex Fertilisers	KWH	61	63				MT	0.0191	0.0198
3.	PETROCHEMICAL DIVISION									
	Caprolactam	KWH	1884	1929				MT	1.1650	1.1669*

* Includes fuel oil used for power generation