



**FACT**

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

62<sup>nd</sup>

वार्षिक रिपोर्ट  
Annual Report 2005-06

Report  Junction.com



## THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 62nd Annual General Meeting of the Company will be held on Friday the 29th day of September, 2006 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 31<sup>st</sup> March, 2006 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. Vijay Chhibber, who retires at this Annual General Meeting and being eligible, offers himself for re-election.

#### Special Business

3. To elect Ms.Swatantra K.Sekhon as a Director of the Company.

The Company has received Notice in terms of Section 257 of the Companies Act, 1956 proposing Ms.Swatantra K.Sekhon for election as a Director of the Company at this Annual General Meeting.

4. Enhancement of Authorised Capital

To pass with or without modification the following Resolution as Special Resolution.

RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs.500 crore (Rupees Five hundred crore only) to Rs.1000 crore (Rupees One thousand crore only) by the creation of 50

crore additional equity shares of Rs.10 each to rank pari passu with the existing Equity shares of the Company.

RESOLVED further that the Board of Directors be and is hereby authorized to allot new shares over the existing Subscribed and Paid-up capital to the President of India to the extent of the increased Authorized Capital on such terms as the Board may deem expedient.

FURTHER RESOLVED that Clause 5 of the Memorandum of Association of the Company be deleted and substituted by the following:

The Capital of the Company is Rs.1000,00,00,000 (Rupees One thousand crore only) divided into 100,00,00,000 (one hundred crore only) Equity Shares of Rs.10 each with power to divide the shares in the capital, for the time being, into several classes and to attach thereto any preferential or special rights, but so that when shares are issued with any preferential or special right attached thereto, such rights shall not (except where the terms of the issue otherwise provide) be alterable, otherwise than pursuant to the provisions of the accompanying Articles of Association.

FURTHER RESOLVED that the Article 7 of the Articles of Association of the Company be deleted and substituted by the following:

The Capital of the Company is Rs.1000,00,00,000 (Rupees One thousand crore only) divided into 100,00,00,000 (one

hundred crore only) equity shares of Rs.10 each.

By Order of the Board of Directors

Sd/-

K.V.Balakrishnan  
Company Secretary

Eloor, Udyogamandal  
29.08.2006

**Note:**

1. The Register of Members will be closed from 22<sup>nd</sup> September 2006 to 29<sup>th</sup> September 2006 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, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide Order No.130/8/2003-HR-I dated 14th June 2006 appointed Ms.Swatantra K.Sekhon, Additional Secretary & Executive Director, Fertilizer Industry Coordination Committee(FICC) 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, Ms.Swatantra K.Sekhon was co-opted as additional Director of the Company with effect from 27-6-2006. For a fresh term from the close of the AGM, to meet the requirements under the Companies Act, she needs to be

elected as a Director.

No Director other than Ms.Swatantra K.Sekhon is interested in the Resolution.

**Item No.4**

The Authorized Share Capital of the company is Rs.500 crore(Rupees Five hundred crore only ) divided into 50 crore equity shares for Rs.10 each and the subscribed and paid-up capital is Rs.354.77 crore (Rupees Three Hundred and fifty four crore and seventy seven lakh only).

The Cabinet Committee on Economic Affairs (CCEA) has approved a financial restructuring package for FACT, including the conversion of the Government of India loan of Rs.292.30 crore (Rupees Two hundred and ninety two crore and thirty lakh only) into equity capital.

For conversion of GOI loan of Rs.292.30 crore to equity capital and allot shares to Government of India the authorized capital of the Company is required to be increased. Considering the above and also keeping in view the long term interest of the Company, the Board of Directors has recommended increase of the authorized capital from the existing Rs. 500 crore to Rs. 1000 crore.

For enhancement of the authorized capital, clause 5 of the Memorandum of Association and Article 7 of the Articles of Association of the Company is to be amended. Board of Directors have recommended Amendment to Clause 5 of the Memorandum of Association and Article 7 of the Articles of Association to facilitate enhancement of authorized capital of the Company.

None of the Directors are interested in this resolution.



## THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

### BOARD OF DIRECTORS

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

**Shri. D.N. Pradhan**  
Director (Finance)

**Shri. Vijay Chhibber**  
Director

**Ms. Swatantra K.Sekhon**  
Director

**Chief Vigilance Officer**  
Shri. K.C. Naredi

**Company Secretary**  
Shri. K.V. Balakrishnan

### REGISTERED OFFICE :

Eloor, Udyogamandal,  
Kochi, Kerala

### STATUTORY AUDITORS:

M/s. Ayyar & Cherian,  
Kochi

### BRANCH AUDITORS:

M/s. S.R. Mohan & Co.  
Hyderabad

M/s. Padmanabhan 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

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 62nd Annual Report of your Company together with the Audited Accounts and the report of the Auditors for the year 2005-06

Your Directors are happy to inform you that the Cabinet Committee on Economic Affairs has approved a financial relief package for the Company consisting of the following :

1. Waiver of all outstanding interests as on 31.03.2005 amounting to Rs.85.77 crore and penal interest there on.
2. Conversion of 50% of the outstanding GOI loan of Rs.584.60 crore as on 31.03.2005 i.e Rs.292.30 Crore into equity capital.
3. Write off of the non-plan loan of Rs.60 crore given for Voluntary Retirement Scheme .
4. Write off of the balance outstanding GOI loan of Rs.232.30 crore as on 31.03.2005 (Rs.584.60-292.30-60 crore).
5. The above relief to be made effective as on 31<sup>st</sup> March 2005.

Consequent to the implementation of the financial relief package and with maximization of capacity utilization, your Company has registered a net profit of Rs.235.66 crore during the financial year ended 31<sup>st</sup> March 2006 as against a loss of Rs.168 crore during the previous year. At the end of the financial year 2005-06 the net worth of the company is Rs.374.79 crore.

### HIGHLIGHTS

- 17% increase in Turnover as compared to last year
- Highest ever production of Sulphuric Acid at Cochin Division at 380000 MT
- Highest ever production of Phosphoric Acid at Cochin Division at 87000 MT
- 124% capacity utilization in complex fertilizer plant at Cochin Division
- 25% increase in sale of fertilizers
- 33% increase in production of Factamfos
- 48% increase in Sales of Factamfos
- Operating loss for the year Rs. 118.74 crore
- Net profit of Rs.235.66 crore (after taking into account the effect of financial reliefs granted by GOI)
- Net worth as on 31-3-2006 - Rs.374.79 crore



**PERFORMANCE****PRODUCTION, SALES AND PROFITABILITY**

		2005-2006	2004-2005
1	Production / In Tonnes		
	Factamfos 20:20	745902	560788
	Ammonium Sulphate	172986	200564
	Caprolactam	38666	44932
2	Sales / In lakh Tonnes		
	Fertilisers	9.83	7.84
	Caprolactam	0.34	0.48
3	Financial / Rs.lakh		
	Turnover	142259	121469
	Operating Profit/Loss(-)	-11874.31	-13295.86
	Financial Relief	35502.82	0.00
	Adjustments in respect of prior years	8.98	3480.40
	Profit / Loss (-) before tax	23619.53	(-)16776.26
	Provision for taxation - Earlier years	19.68	20.03
	Provision for Fringe benefit tax	34.07	0
	Profit/Loss (-) after tax	23566.78	(-)16796.29
	Transfer from Capital reserve	0	75.15
	Profit/Loss (-) b/f from previous year	(-)50628.23	(-)30560.69
	Impairment Loss - Transitional period	0	-3346.40
	Net deficit carried to Balance Sheet	(-)27062.45	(-)50628.23

During the year 2005-06 the production of Factamfos 20:20 registered an increase with a total output of 745902 MT as compared to 560788 MT during 2004-05. The sales turnover during the year under review posted a remarkable improvement over that of the preceding year. The production of Caprolactam and Ammonium Sulphate has come down due to temporary stoppage of the plants during December 2005 and January 2006 as a result of sluggish market and unremunerative realization from Caprolactam. The Working Capital shortage also hampered the production schedule.

The abnormal increase in the prices of Petroleum products during the year 2005-06 has severely affected the profitability of the Company. The additional impact on account of increase in prices during 2005-06 over 2004-05 is Rs.97.56 crore in the case of raw materials and Rs.39.91 crore in the case of furnace oil.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

A Management Discussion and Analysis Report covering the operational aspects during the year

2005-06 is enclosed.

**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 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, 2006 and of profit and loss account for the year ended March 31, 2006.
- 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.

- d. 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 2005-06 by the Comptroller and Auditor General of India. M/s. Padmanabhan Ramani & Ramanujam, Chartered Accountants, Chennai was reappointed as Branch Auditors for Tamilnadu and Kerala area and M/s. S.R.Mohan & Co., Chartered Accountants, Hyderabad was appointed as Branch Auditors for Karnataka and Andhra Pradesh area of the Company for the year 2005-06 by the Comptroller and Auditor General of India.

Statutory Auditors has not made any comments in their report for the year 2005-06.

Comptroller and Auditor General of India has also offered Nil comments on the Accounts for the year ended 31-03-2006 under Section 619 (4) of the Companies Act 1956.

M/s.N.P Gopalakrishnan & Co., Cost Accountants, Kochi has been appointed as Cost Auditors of the Company for the year 2005-06 with the approval of the Government of India.

### DIRECTORS

#### RETIREMENT & APPOINTMENTS

Government of India, Ministry of Chemicals & Fertilisers vide order No.130/8/2003-HR-I dated 14<sup>th</sup> June 2006 notified the appointment of Ms.Swatantra K.Sekhon, Additional Secretary & Executive Director, Fertilizer Industry Coordination Committee(FICC) as part-time official Director in place of Shri Tejinder Singh Laschar, Director on the Board of Directors of FACT.

On superannuation, Shri D.C.Sorte, Director (Technical) retired from the Board of FACT on 30-06-2006. Shri R.S.Shenoy, Director(Marketing) ceased to be a Director with effect from 9<sup>th</sup> December 2005 as per Government of India Order.

On completion of 3 years term, Dr.B.S.Ghuman, Director, Dr.Ranbir Singh Sarao, Director, Shri K.V.Menon, Director, Shri R.Krishna Iyer, Director and Prof..R.Arockiasamy, Director retired from the Board with effect from 30<sup>th</sup> December 2005.

Your Directors place on record its appreciation of the valuable services rendered by Shri D.C.Sorte, Shri R.S.Shenoy, Shri Tejinder Singh Laschar, Dr.B.S.Ghuman, Dr.Ranbir Singh Sarao, Shri K.V.Menon, Shri R.Krishna Iyer, and Prof.R. Arockiasamy.

### 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 Exchange, an Audit Committee of the Board has been constituted.

### PUBLIC DEPOSITS

The total amount of Fixed Deposits as on 31<sup>st</sup> March 2006 was Rs.1200.81 lakh. As on 31-03-2006, 30 Depositors have not claimed their deposits amounting to Rs 60 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 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 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, AIR and Visual Media.

For and on behalf of the Board of Directors.

Sd/-

**Dr.G.C.Gopala Pillai**

Chairman and Managing Director

Udyogamandal

Date:22-8-2006

## ANNEXURE TO DIRECTORS' REPORT

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

### A. Conservation of Energy

In Cochin Division Sulphuric Acid Plant, the motor of cooling water pump was replaced with a steam turbine. Both power and steam conservation could be achieved by this.

In Udyogamandal Division, the damaged Cooling Towers in New Sulphate Plant, DCDA Acid Plant and Captive Power Plant in Ammonia complex were replaced with counter flow tower having PVC fills and high efficiency FRP fans thereby reducing the electrical energy consumption considerably.

The more energy efficient Howden blower in SO<sub>2</sub> /Acid Plant was overhauled and lined up during the year.

In the new Ammonia Plant, the energy consumption per MT of Ammonia was 8.8856 MKCal/MT during 2005-06 as against 8.9513 MKCal/MT during 2004-05

### B. Technology Absorption, Adaptation and Innovation

#### Efforts in brief

- a) In Udyogamandal Division, Power Control Centre (PCC) installed in DCDA Acid Plant was replaced with a new improved version.
- b) In Petrochemical Division, the switching of emergency lighting system was modified by

introducing a relay system, so that only in case of failure of power from state grid, the emergency lighting system will be automatically activated with either captive power or power generated from DG Set.

- c) The Cooling water reclamation pump in CPP was modified by providing a level switch which start and stop the pump automatically based on the level in the reclamation pit.
- d) Available Fuel Oil pumping line to the day tank of Anone plant was modified to higher size

#### Benefits derived

- a) Replacement of Power Control Centre in DCDA Acid Plant makes the installation more reliable and at par with current standards.
- b) Modification in switching of emergency lighting system in Petrochemical Division has resulted in considerable savings of energy and expenditure
- c) The modification in the cooling water reclamation pump in CPP resulted in annual power saving of 16206 kwh.
- d) Modification of Fuel Oil pumping line to the day tank of Anone Plant resulted in bringing down the duration of pumping.



### 3. 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; Initiatives taken to increase exports; development of new export market.**

During the financial year 2005-06, 7021 MT of Caprolactam was exported as against 13311 MT during 2004-05. The exports were

low due to the poor price in the international market. FACT is holding Two Star Export House Status.

FACT has developed markets in foreign countries for fertilizers and has been receiving enquiries for export of Ammonium Sulphate. Since FACT is not in a position to cater to the domestic demand in full, the export market could not be tapped for the time being.

Details of foreign exchange earning 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	27997.79	19013.05
(b) Spares and other materials	675.39	266.55
(c) Capital Goods	0.00	0.00
	28673.18	19279.60
(ii) Expenditure in Foreign Currency (Cash Basis):		
(a) Consultancy service	50.99	46.00
(b) Others	14.22	14.20
	65.21	60.20
TOTAL (i) + (ii)	28738.39	19339.80
Foreign exchange earned	6340.33	12839.38

**FORM -A**

Form for disclosure of particulars with respect to conservation of energy : 2005-2006

**(A) POWER AND FUEL CONSUMPTION**

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
1) ELECTRICITY						
(a) Purchased						
Unit:lakh KWH	502.32	488.44	670.83	587.88	315.71	249.22
Amount Rs. in Lakh	1789.18	1769.93	2348.16	2136.59	1158.92	955.66
Rate/Unit:Rs/KWH	3.56	3.62	3.50	3.63	3.67	3.83
(b) Own Generation						
(i) Through Steam Turbine/Generator						
Unit:lakh KWH	210.43	233.99	-	-	419.89	597.90
Unit per litre of fuel						
KWH/litre	3.59	3.54	-	-	3.38	3.61
Cost /Unit :RS/KWH	7.88	5.43	-	-	7.89	6.62
(ii) Transfer from other Divisions						
Unit:lakh KWH	0.76	-	-	-	22.80	-
Unit per litre of fuel						
KWH/litre	3.38	-	-	-	3.59	-
Cost /Unit :RS/KWH	7.89	-	-	-	7.88	-
2) FURNACE OIL/LSHS						
Quantity:Tonnes	47410.37	49891.97	11774.53	9725.08	47256.32	47686.91
Total cost Rs in Lakh	7787.81	6230.89	1967.46	1364.84	7087.47	5910.49
Average Rate Rs/MT	16426.39	12488.76	16709.46	14034.23	14997.93	12394.37

**(B) CONSUMPTION PER UNIT OF PRODUCTION**

Sl. No.	PRODUCT	ELECTRICITY			NAPHTHA			FURNACE OIL / LSHS		
		Unit	2005-06	2004-05	Unit	2005-06	2004-05	Unit	2005-06	2004-05
1.	UDYOGAMANDAL DIVISION									
	Ammonia - new plant	KWH	99	116	MT	0.6784	0.6800	MT	0.1666*	0.1679*
	Sulphuric acid	KWH	57	57						
	Phosphoric acid	KWH	441	340						
	Ammonium sulphate	KWH	46	43						
	Factamfos 20:20	KWH	52	59				MT	0.0206	0.0212
2	COCHIN DIVISION									
	Sulphuric acid	KWH	18	21				MT	0.0009	0.0009
	Phosphoric acid	KWH	221	228						
	Factamfos 20:20	KWH	55	61				MT	0.0182	0.0191
3	PETROCHEMICAL DIVISION									
	Caprolactam	KWH	1963	1884				MT	1.2820*	1.1650*

\* Includes fuel oil used for power generation