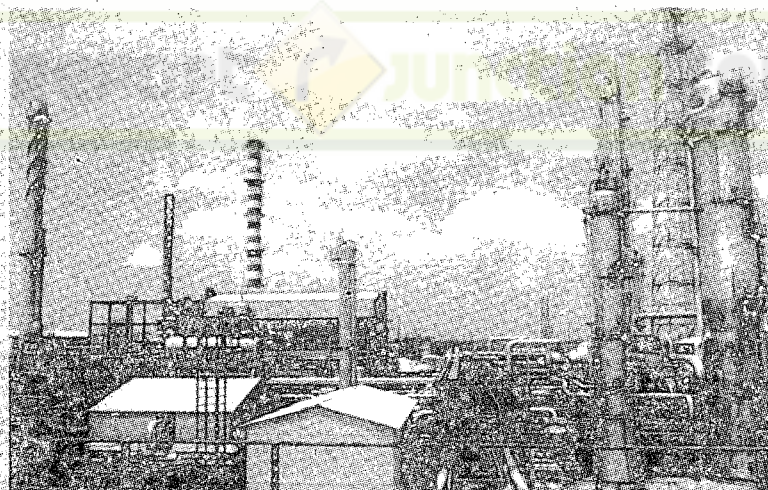




63rd
वार्षिक रिपोर्ट
Annual Report 2006-07



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



63rd Annual Report

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 63rd Annual General Meeting of the Company will be held on Friday the 28th day of September, 2007 at 10.30 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, 2007 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.

By Order of the Board of Directors.

Sd/-

K.V.Balakrishnan Nair
Company Secretary

Eloor, Udyogamandal

28.08.2007

Note:

1. The Register of Members will be closed from 21st September 2007 to 28th September 2007 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.

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

BOARD OF DIRECTORS

Dr. George Sreeba
Chairman & Managing Director

Shri. D.N. Pradhan
Director (Finance)

Shri. A. Asokan
Director (Marketing)

Shri. Vijay Chhibber
Director

Dr. J.S. Maini
Director

Chief Vigilance Officer
Dr. R. Kannan

Company Secretary
Shri. K.V. Balakrishnan Nair

REGISTERED OFFICE :

Eloor, Udyogamandal,
Kochi, Kerala.

STATUTORY AUDITORS:

M/s. Balan & Co.
Kochi.

BRANCH AUDITORS:

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

M/s. L.U. Krishnan & Co.
Chennai.

COST AUDITORS:

M/s. Sukumaran & Co.,
Thiruvananthapuram.

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 63rd Annual Report of your Company together with the Audited Accounts and the report of the Auditors for the year 2006-07.

PERFORMANCE

PRODUCTION, SALES AND PROFITABILITY

		2006-2007	2005-2006
1	Production / In Tonnes		
	Factamfos 20:20	721202	745902
	Ammonium Sulphate	183490	172986
	Caprolactam	41327	38666
2	Sales / In lakh Tonnes		
	Fertilisers	9.47	9.83
	Caprolactam	0.39	0.34
3	Financial / Rs.lakh		
	Turnover	149251	142249
	Operating Profit/Loss(-)	(-)12773.86	(-)11874.31
	Financial Relief	0	35502.82
	Adjustments in respect of prior years	105.17	8.98
	Profit / Loss (-) before tax	(-)12265.05	23619.53
	Provision for taxation –Earlier years	178.40	19.68
	Provision for Fringe benefit tax	29.13	34.07
	Profit/Loss (-) after tax	(-)12472.58	23565.78
	Profit/Loss (-) b/f from previous year	(-)27062.45	(-)50628.23
	Net deficit carried to Balance Sheet	(-)39535.03	(-)27062.45

During the year 2006-07, the overall performance of the company in the production and marketing front was satisfactory.

The turnover during the year under review posted slight improvement over previous year inspite of all adversities. During the year 2006-07 the production of Ammonium Sulphate registered an increase with a total output of 183490 MT as compared to 172986 MT during 2005-06. The Production of Caprolactam has also registered an increase with a total output of 41327 MT as compared to 38666 MT of the previous year. The company was also able to utilize 115% of its capacity in complex fertilizer plant at Cochin

Division. However, the Production of Factamfos has shown a marginal decrease with a total output of 721202 MT as compared to 745902 MT during the year 2005-06.

The financial performance of the company during the year 2006-07 has been seriously affected by the unprecedented increase in raw material prices. The financial restructuring sanctioned by the Government of India in April 2006 had only a limited impact on the day to day operations of the company as it did not result in infusion of any funds. The company could get the enhancement of cash credit facility from the consortium of banks only in December 2006. The limited availability of

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working capital till that time affected the operations of the company.

Further, the unprecedented increase in the price of raw materials much above the levels taken for BRPSE projections and limited availability of intermediates also severely affected the financial performance and delayed the anticipated turnaround of the company. The additional impact on account of increase in prices of raw material for 2006-07 over 2005-06 is to the extent of Rs.93.50 crore.

All the above factors contributed to a negative working result of Rs.124.73 crore for the year 2006-07 as against a loss of Rs.118.74 crore for the year 2005-06, before considering financial restructuring benefit of Rs.355.03 crore in the year 2005-06.

During the first quarter of the financial year 2007-08, the performance of the company was comparatively better in terms of production, sales and profitability. The unprecedented increase in the prices of sulphur in international market has affected the smooth running of the plants in the second quarter. In order to reduce losses and maximize NP production, it was decided to temporarily suspend the operations of Caprolactam, Ammonium Sulphate and Ammonia Plants. The company is exploring various options such as arrangement of extra quantities of intermediate sulphuric acid and phosphoric acid so that Factamfos production can be maintained atleast at a reasonable level.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report covering the operational aspects during the year 2006-07 is enclosed.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. that in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- b. 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, 2007 and of profit and loss account for the year ended March 31, 2007.
- c. 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.Balan & Co., Chartered Accountants, Kochi, was appointed as Statutory Auditors of the Company for the year 2006-07 by the Comptroller and Auditor General of India. M/s.L.U.Krishnan & Co., Chartered Accountants, Chennai, was appointed as Branch Auditors for Tamilnadu and Kerala area and M/s.S.R.Mohan & Co., Chartered Accountants, Hyderabad, was reappointed as Branch Auditors for Karnataka and Andhra Pradesh area of the Company for the year 2006-07 by the Comptroller and Auditor General of India.

Statutory Auditors have not made any comments in their report for the year 2006-07.

M/s. Sukumaran & Co., Cost Accountants, Thiruvananthapuram, has been appointed as Cost Auditors of the Company for the year 2006-07 subject to the approval of the Government of India.

**DIRECTORS****RETIREMENT & APPOINTMENTS**

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No.106/7/2005-HR-I dated 25.9.2006 notified appointment of Shri.A.Asokan, General Manager, Udyogamandal Complex as Director (Marketing).

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No.106/3/2005-HR-I dated 22.11.2006 notified appointment of Dr.George Sleeba, Executive Director (Marketing) as Director (Technical).

Dr.G.C.Gopala Pillai, Chairman & Managing Director of the Company resigned with effect from 2nd January 2007. Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No.106/2/2005-HR-I dated 27.12.2006 entrusted the charge of the post of C&MD, FACT to Shri.G.S.Mangat, C&MD, National Fertilisers Ltd.

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No.130/8/2003-HR-I dated 13.2.2007 notified the appointment of Dr.Jivtesh Singh Maini, Additional Secretary & Financial Adviser, Department of Fertilisers as Part-time official Director in place of Ms.Swatantra K. Sekhon, Director, on the Board of Directors of the company.

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No.86/6/2006-HR-I dated 30.7.2007 notified the appointment of Dr.George Sleeba, Director (Technical) as the Chairman and Managing Director of the Company. Dr.George Sleeba assumed the charge of Chairman and Managing Director of the Company with effect from 31st July 2007.

Your Directors place on record their appreciation of the valuable services rendered by Dr.G.C.Gopala Pillai, Shri G.S.Mangat and Ms.Swatantra K.Sekhon.

AUDIT COMMITTEE

In line with the provisions of Section 292(A) of the Companies (Amendment) Act 2000, an Audit Committee of the Board has been constituted.

PUBLIC DEPOSITS

The total amount of Fixed Deposits as on 31st March 2007 was Rs.975.12 lakh. As on 31.03.2007, 8 Depositors have not claimed their deposits amounting to Rs.46 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

Your 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. George Sleeba
Chairman and Managing Director

Udyogamandal

Date: 25.08.2007

ANNEXURE TO DIRECTORS' REPORT

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

A. Conservation of Energy

- 1) The raw material/utilities consumption of all the products is monitored regularly by evaluating the critical parameters. The raw material consumption and energy efficiency are reviewed on a monthly basis to identify the weak areas and rectify the shortcomings.
- 2) In Cochin Division, provision has been made to supply the excess steam from Sulphuric Acid Plant to canteen and the expected annual saving is Rs.15.1 lakh.
- 3) Boiler tubes were cleaned as part of annual maintenance and steam leaks rectified as and when noticed to prevent energy loss.
- 4) Boiler-1 Air preheater in Udyogamandal Division cleaned to eliminate soot emission, if any, so that boiler efficiency is improved considerably.
- 5) The low energy consuming Howden SO₂ blower in the SO₂ / Acid Plant of Udyogamandal Division was continuously run during the year for supplying SO₂ to Petrochemical Division.

B. Technology Absorption, Adaptation and Innovation

Efforts in brief

- 1) A fully welded Type Heat Exchanger was installed in Lactam Plant in 2006 replacing

the existing gasketed type plate Heat Exchanger.

- 2) A multiple period timer was installed for the industrial water booster pump in Captive Power Plant of Petro Chemical Division. The pump is now designed to run automatically during three time periods in a day and will be automatically switched off during the remaining period.
- 3) The Soda Ash fines from the economizer side of soda ash recovery boiler were diverted to the godown.
- 4) In Udyogamandal Division, a new Variable Speed Drive (VSD) is installed for the Dust Fan (75 KW motor) in 300 TPD Ammonium Phosphate Plant.

Benefits derived

- 1) The replacement of Heat Exchanger in Lactam Plant has resulted in ZERO down time.
- 2) The additional installation of multiple period timer in the industrial water booster pump has resulted in energy savings around 1.3 lakh units of electrical energy per annum i.e. Rs. 4.8 lakh at the current price of electric power.
- 3) The diversion of Soda Ash fines would result in reduction in effluent loading in Pollution Control Plant.



- 4) The installation of Variable Speed Drive has resulted in savings of around 1.66 lakh units of electrical energy per annum i.e. Rs. 6.1 lakh at the current price of electric power.

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

FACT is holding Two Star Export House

status. During the financial year 2006-07, 11543 MT of Caprolactam was exported as against 7021 MT during 2005-06. The export was mainly to CHINA.

FACT Engineering and Design Organisation (FEDO) is negotiating with certain overseas companies like Galfar-Oman, PDNA-South Africa, Mott Mac Donald-U.K. for association with them in their projects. A project worth Rs.6 crore as engineering fee for engineering services for an Ammonia/Urea Complex for Dangote Industries Limited in Nigeria is in final stage.

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	25154.95	27997.79
(b) Spares and other materials	8327.94	675.39
(c) Capital Goods	0.00	0.00
	33482.89	28673.18
(ii) Expenditure in Foreign Currency (Cash Basis):		
(a) Consultancy service	0.00	50.99
(b) Others	15.38	14.22
	15.38	65.21
TOTAL (i) + (ii)	33498.27	28738.39
Foreign exchange earned	11116.56	6340.33

FORM -A

Form for disclosure of particulars with respect to conservation of energy : 2006-2007

(A) POWER AND FUEL CONSUMPTION

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
1) ELECTRICITY						
(a) Purchased						
Unit:lakh KWH	511.72	502.32	661.87	670.83	245.48	315.71
Amount Rs. in Lakh	1671.63	1789.18	2183.25	2348.16	886.34	1158.92
Rate/Unit:Rs/KWH	3.27	3.56	3.30	3.50	3.61	3.67
(b) Own Generation						
(i) Through Steam Turbine/Generator						
Unit:lakh KWH	228.37	210.43	-	-	524.30	419.89
Unit per litre of fuel						
KWH/litre	4.03	3.59	-	-	3.56	3.38
Cost /Unit :Rs/KWH	7.04	7.88	-	-	7.75	7.89
(ii) Transfer from other Divisions						
Unit:lakh KWH	0.54	0.76	-	-	7.21	22.80
Unit per litre of fuel						
KWH/litre	3.56	3.38	-	-	4.03	3.59
Cost /Unit :Rs/KWH	7.75	7.89	-	-	7.04	7.88
2) FURNACE OIL/LSHS						
Quantity:Tonnes	43730.05	47410.37	11487.39	11774.53	52208.06	47256.32
Total cost Rs.in Lakh	7089.16	7787.81	1911.86	1967.46	8416.18	7087.47
Average Rate Rs/MT	16211.19	16426.39	16643.12	16709.46	16120.46	14997.93

(B) CONSUMPTION PER UNIT OF PRODUCTION

Sl. No.	PRODUCT	ELECTRICITY			NAPHTHA			FURNACE OIL / LSHS		
		Unit	2006-07	2005-06	Unit	2006-07	2005-06	Unit	2006-07	2005-06
1.	UDYOGAMANDAL DIVISION									
	Ammonia - new plant	KWH	97	99	MT	0.6895	0.6784	MT	0.1646	0.1666*
	Sulphuric acid	KWH	58	57						
	Phosphoric acid	KWH	1214	441						
	Ammonium sulphate	KWH	43	46						
	Factamfos 20:20	KWH	48	52				MT	0.0219	0.0206
2	COCHIN DIVISION									
	Sulphuric acid	KWH	18	18				MT	0.0010	0.0009
	Phosphoric acid	KWH	189	221						
	Factamfos 20:20	KWH	56	55				MT	0.0185	0.0182
3	PETROCHEMICAL DIVISION									
	Caprolactam	KWH	1853	1963				MT	1.2550	1.2820*

* Includes fuel oil used for power generation



FORM B

RESEARCH AND DEVELOPMENT (R&D)

FACT R&D centre functions with the aim of carrying out in-depth research, to provide specialized services to other divisions of the Organisation, and also involved in the production of Environment friendly Bio fertilizers.

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

i) Bio-fertilizer production:

The Biofertiliser Plant at R&D centre is capable of producing three kinds of Biofertilisers namely Rhizobium, Azospirillum and Bacillus Megatherium under the trade name BIOFACT. Owing to the short shelf life, production of these Biofertilisers is based on specific demands of Marketing Division. Efforts are underway to changeover to a new carrier material (Lignite) that conforms to the recently laid down FCO regulations.

ii) Quality Control Cell

As per the directive from Ministry of Agriculture, Government of India, a Quality Control Cell has been set up in R&D centre, for efficiently monitoring the quality of fertilizer products at the despatch and selling points.

2. Benefits derived

During the year 2006-07, R&D centre has produced 3.91 MT of Bio-fertilisers and supplied to various Agro Service Centres thereby meeting the entire requirement of the Marketing Division.

Functioning of Quality Control Cell enabled to maintain good quality of products and to reduce considerably the P_2O_5 loss due to extra nutrient content in NP 20:20.

3. Future Plan of Action

i) R&D centre plans to conduct research to know the effect of particle size of vermiculite, a carrier material, on the growth of bio-fertiliser inoculants.

ii) R&D centre plans to conduct studies on the incorporation of Zinc as Micronutrient in NP fertilizers.

4. Expenditure on R&D

Details of expenditure on R&D are given separately.

EXPENDITURE ON R & D				
Rs. in Lakh				
Year	Capital	Revenue	Total	As % of total Turnover
2004-2005	0.00	31.85	31.85	0.026
2005-2006	0.00	31.17	31.17	0.022
2006-2007	0.00	29.77	29.77	0.020