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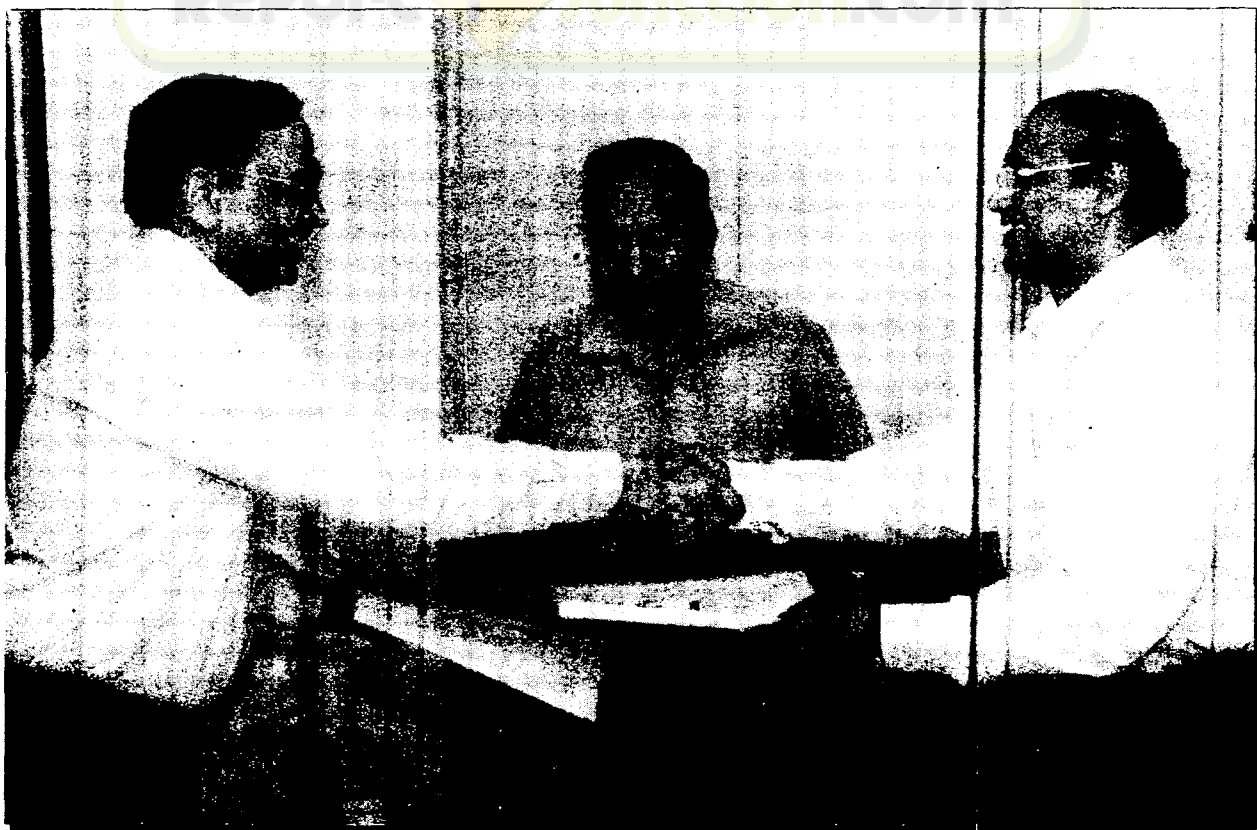


64th वार्षिक रिपोर्ट
ANNUAL REPORT
2007 - 08

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



▲ The Hon'ble Union Minister for Chemicals, Fertilizers and Steel, Shri. Ram Vilas Paswan, on his arrival to inaugurate FACT Rapid House, being received at Nedumbassery airport by Dr. George Sleeba, CMD, Shri. K. Chandran Pillai, MP and others.



▲ Dr. George Sleeba, CMD and Dr. P.S.Gahlunt, MD, IPL, exchange document after signing an MOU for supply of raw materials to FACT, at New Delhi in the presence of Dr. J.S. Sarma, IAS, secretary (Fertilizers).



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Registered Office: Eloor, Udyogamandal, Kochi.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 64th Annual General Meeting of the Company will be held on Saturday the 27th day of September, 2008 at 11.00.A.M 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, 2008 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.

Special Business

2. To elect Shri. Mathew C.Kunnumkal as Director of the Company.

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

3. To elect Shri. Rajesh Agrawal as Director of the company.

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

4. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution.

RESOLVED that pursuant to the provisions of Section 293 (1) (d) and all other applicable provisions, if any, of the Companies' Act, 1956, approval be and is hereby accorded to the Board of Directors for raising borrowings through loans, overdraft, credit, etc. from the existing limit of Rs.750 crore to Rs.1750 crore, (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) from Banks, Financial Institutions and other sources for the purpose of financing working capital requirements as also for acquisition of capital assets and/or for the purpose of any other requirements of the company notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the company and its free reserves that is to say reserves not set apart for any specific purposes.

By Order of the Board of Directors.

Sd/-

K.V.Balakrishnan Nair
Company Secretary

Eloor, Udyogamandal
25. 08.2008



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Notes:

1. The Register of Members will be closed from 22nd September 2008 to 27th September 2008 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.2

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide Order No.130/8/2003-HR-1 dated 31st January 2008 appointed Shri. Mathew C.Kunnumkal, Additional Secretary and Financial Adviser, Department of Fertilisers, Ministry of Chemicals and 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. Mathew C.Kunnumkal was co-opted as additional Director of the Company with effect from 05.02.2008. 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.

No Director other than Shri.Mathew C.Kunnumkal is interested in the resolution.

Item No.3

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide Order No. 130/8/2003-HR-1 dated 31st January 2008 appointed Shri. Rajesh Agrawal, Deputy Secretary, Department of Fertilisers, Ministry of Chemicals and 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. Rajesh Agrawal was co-opted as additional Director of the Company with effect from 05.02.2008. 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.

No Director other than Shri.Rajesh Agrawal is interested in the resolution.

Item No.4

The shareholders of the company at the Extraordinary General Meeting held on 7th May 2001 authorised the Board of Directors for raising fund based and non-fund based loans, over-draft, etc. upto a limit of Rs.750 crore.

The prices of raw-materials have shown sharp rise over the last few months and are still ruling at very high levels. The prices of sulphur has increased from US\$ 80 per tonne during the last year to US\$ 800 per tonne as on May 2008. The price of Phosphoric acid has gone from US\$ 500 to US\$ 2000 per tonne. Cost of Naphtha, Furnace Oil, etc. has also increased substantially.

With the increase in the prices of petroleum products coupled with the other raw material prices, the fund requirements of the company has increased substantially to meet the working capital requirements. The borrowings of the company have also increased substantially over the period of time.

As per Section 293 (1)(d) of the Companies Act, 1956 read with Article 47 of the Articles of Association of the Company, the Board of Directors of the Company shall not, except with the consent of the Company in General Meeting, borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid up Capital of the Company and its free reserves that is to say the reserves not set apart for any specific purpose.

Therefore a need has arisen to increase the borrowing limit of the Company with the approval of the shareholders.

The Board of Directors of your company recommend the ordinary resolution as set out in the notice.

None of the Directors are concerned or interested in the resolution.

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED
BOARD OF DIRECTORS

Dr.George Sleeba
Chairman & Managing Director

Shri. A.Asokan
Director (Marketing)

Shri. Mathew C.Kunnumkal
Director

Shri. Rajesh Agrawal
Director

CHIEF VIGILANCE OFFICER
Dr. R.Kannan

COMPANY SECRETARY
Shri. K.V.Balakrishnan Nair

REGISTERED OFFICE

Eloor, Udyogamandal,
Kochi, Kerala- 683501

STATUTORY AUDITORS:

M/s. K.Varghese & Co, Kochi

BRANCH AUDITORS:

M/s. John Morris & Co., Chennai
M/s. S.R.Mohan & Co., Hyderabad.

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



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 64th Annual Report of your Company together with the Audited Accounts and the report of the Auditors for the year 2007-08.

Your Directors are happy to inform you that during the financial year 2007-08, your Company has recorded a profit of Rs.8.97 crore as against a loss of Rs.124.72 crore during the year 2006-07.

PERFORMANCE

PRODUCTION, SALES AND PROFITABILITY

		2007-2008	2006-2007
1	Production / In Tonnes		
	Factamfos 20:20	425530	721202
	Ammonium Sulphate	30478	183490
	Caprolactam	6759	41327
2	Sales / In lakh Tonnes		
	Fertilisers	6.03	9.47
	Caprolactam	0.14	0.39
3	Financial / Rs.lakh		
	Turnover	87714	149251
	Operating Profit/Loss(-)	(-)19081.15	(-)12773.86
	Grant in aid (non-plan) from GOI	20000.00	0
	Profit / Loss (-) before tax	917.61	(-)12265.05
	Profit/Loss after tax	896.81	(-)12472.58
	Profit/Loss b/f from previous year	(-)39535.03	(-)27062.45
	Employee Benefits – Transitional period	(-)879.07	0
	Net deficit carried to Balance Sheet	(-)39517.29	(-)39535.03

The Company's overall performance during the year 2007-08 was affected by the unprecedented increase in the prices and acute shortage of raw materials. The steep increase in the prices of sulphur from US\$ 80 to US\$ 700 per MT and limitations in its availability in international market caused the operations of Factamfos plants at restricted loads as well as periodic shutdown. Consequent to this, the Ammonia and Caprolactam plants had to be shut down for a period of more than 8 months from July 2007 onwards. The shut down of the caprolactam plant and

operations of the other plants at restricted load resulted in shortfall in production and sale of fertilizers and caprolactam and consequent decrease in turn over for the financial year 2007-08.

During the financial year 2007-08, Government of India has released a grant in aid of Rs.200 crore to sustain the operations of the company till 31.3.2008. The release of the grant has eased the working capital position of the company and enabled the re-start of the stopped plants by the end of March 2008.



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Government of India has implemented a new pricing policy based on the recommendations of the Tariff Commission effective from 1.4.2008. Your Directors are happy to note that our long pending demand to consider the sulphur as a nutrient for subsidy has at last been recognised by the Tariff Commission and approved by the Government of India. Similarly, subsidy on Ammonium Sulphate was also restored. As a result of these measures, the company is expected to turn-around in the year 2008-09.

Performance of the company for the first quarter of the financial year 2008-09 is encouraging. The working results during the quarter shows a profit of Rs.112 lakh as against the loss of Rs.4636 lakh during the corresponding period of the previous year.

The availability of raw materials is still a constraint for the continuous full load operation of the plants. FACT has entered into an MOU with Indian Potash Limited for supply of raw materials viz. Sulphur, Rockphosphate, Phosphoric Acid and Ammonia, to sustain production at optimum levels.

Power cut imposed by the Kerala State Electricity Board also pose a serious threat to the profitable operations of the Company for the year 2008-09.

Your Directors are pleased to inform you that FACT along with Rashtriya Chemicals & Fertilisers Limited has promoted a new company for the manufacture of load bearing panels and other value added products using phospho gypsum. A 50:50 Joint Venture company - 'FACT-RCF Building Products Limited' - was incorporated on 2nd May 2008. This is the first separate entity promoted by FACT for expanding its area of operation through Joint Ventures. The foundation stone of the Joint Venture was laid on 3rd May, 2008 by Hon'ble Union Minister for Chemicals and Fertilizers & Steel Shri Ram Vilas Paswan in the presence of Hon'ble Chief Minister of Kerala Shri V.S. Achuthanandan.

The Company has also signed Memorandum of Understanding with PSUs like Cochin Shipyard Limited, Indian Oil Corporation Limited and Container Corporation of India Limited for formation of Joint Ventures.

In order to exploit the potential of application of gypsum as an agricultural input and increase sales through our dealer net-work, bagged gypsum under the brand 'FACT Gypsum' was launched on 19th April, 2008.

As recommended by the Committee of Secretaries, Government of India, FACT entrusted M/s.Deloitte Touche Tohmatsu India Private Limited for a study on revival of FACT. M/s.Deloitte has submitted its report and the recommendations of the consultant are being implemented in a phased manner.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report covering the operational aspects during the year 2007-08 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, 2008 and of profit and loss account for the year ended March 31, 2008.
- 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.



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

STATUTORY AUDITORS, COST AUDITORS

M/s.K.Varghese & Co., Chartered Accountants, Kochi was appointed as Statutory Auditors of the Company for the year 2007-08 by the Comptroller and Auditor General of India. M/s. John Morris & 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 re-appointed as Branch Auditors for Karnataka and Andhra Pradesh area of the Company for the year 2007-08 by the Comptroller and Auditor General of India.

The Statutory Auditors in their report made certain comments on the Accounts of the company for the year 2007-08. The reply to the comments of Statutory Auditors are annexed to this report.

M/s.Sukumaran & Co., Cost Accountants, Thiruvananthapuram has been appointed as Cost Auditors of the Company for the year 2007-08 with the approval of the Government of India.

DIRECTORS RETIREMENT & APPOINTMENTS

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide order No. 130/8/2003-HR-1 dated 31st January 2008 notified the appointment of Shri Mathew C.Kunnumkal, Additional Secretary & Financial Adviser, Department of Fertilisers and Shri Rajesh Agrawal, Deputy Secretary, Department of Fertilisers as part-time official Directors in place of Dr.Jivtesh Singh Maini, Director, and Shri Vijay Chhibber, Director, respectively, on the Board of Directors of FACT.

Your Directors place on record its appreciation of the valuable services rendered by Dr.Jivtesh Singh Maini and Shri Vijay Chhibber.

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 31st March 2008 was Rs.567.39 lakh. As on 31-03-2008, 5 Depositors have not claimed their deposits amounting to Rs.3.70 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 Sreeba
Chairman and Managing Director

Udyogamandal
23.08.2008



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Annexure to Directors' Report

Particulars Required under Companies

(Discloser of particulars in the report of Directors) Rules 1988

A. Conservation of Energy

1. The raw materials/utilities consumption for all the products is monitored regularly. The Raw-material/Energy efficiency is reviewed on a monthly basis and corrective action is taken wherever essential.
2. In Udyogamandal division separate Transformers are introduced for lighting purpose to maintain voltage at an optimum value for conservation of energy. With the installation of the transformers exclusively for lighting in all plants savings in energy charges comes to about Rs.2.9 lakh per annum.
3. In Udyogamandal Division, lower energy consuming Howden SO₂ blower was operated during the year for supplying SO₂ to Petrochemical Division.
4. Use of lower capacity and rpm motor for ID Fan in 300 TPD Ammophos plant, resulted in savings of 69 – 79 KW energy and the annual savings on account of this modification comes to Rs.16.03 lakh.
5. In Petrochemical Division, a package cooling tower was installed in the Ammonia storage & Handling section to supply cooling water for the refrigeration compressors and ammonia condensers to condense vapor ammonia from ammonia tank during a shut down of the Main Cooling Tower. This has brought enormous savings by eliminating the flaring of at least 5 tonnes per day Ammonia due to cooling water non-availability.
6. Installation of a lower capacity pump in DM Plant of PD replacing a higher capacity pump has resulted in saving of 17 KW power.
7. In Cochin Division, the replacement of the Glycol pump motor in NPK plant with the turbine of Ammonia plant TG has resulted in considerable savings of energy by utilization of waste steam.

B. Technology Absorption, Adaptation and Innovation

Efforts in brief

1. For supplying Sulphuric acid to the 300TPD and 150TPD Ammophos plants, two separate pumps with a motor rating of 7.5 KW each were running earlier. By suitable modification of the

pipings arrangement, it is now possible to run a single pump so as to cater to the requirement of both Ammophos plants. This has helped reduced energy consumption.

2. During the year, a new smaller size sweet naphtha pump has been installed for improved reliability at 10% load operation for sweet naphtha service.
3. Installation of a common CO₂ blower in Ammonia plant for supply to PD and outside sales has been completed.
4. Commissioning of Ammonia Plant at low load (10%) and Benzene Hydrogenation plant using rich Hydrogen produced during the low load operation of Ammonia Plant.

Benefits derived

1. Power saving due to the modification of piping arrangement in Ammophos Plants is estimated as 3 KW.
2. Power savings in the range of 45-70 KW is expected when the sweet naphtha pump is put in service (during 10% load operation).
3. Installation of common CO₂ blower in Ammonia Plant has resulted in power savings of 22.5 KW.
4. The low load operation of Ammonia Plant has facilitated the better utilization of cheaper imported Ammonia as a cost reduction measure.

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 2007-08, 3502 MT of Caprolactam was exported as against 11543 MT during 2006-07. The export was mainly to CHINA. FACT is holding Two Star Export House Status.

Details of foreign exchange earning and outgo are given separately.



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

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	42451.43	25154.95
(b) Spares and Other Materials	3681.85	8327.94
(c) Capital Goods	395.56	0.00
	46528.84	33482.89
(ii) Expenditure in Foreign Currency (Cash Basis)		
(a) Consultancy Service	38.86	0.00
(b) Others	14.81	15.38
	53.67	15.38
Total (i) + (ii)	46582.51	33498.27
Foreign exchange earned	3244.90	11116.56

FORM - A

Form for disclosure of particulars with respect to conservation of energy: 2007-2008

(A) POWER AND FUEL CONSUMPTION

Particulars	Udyogamandal Division		Cochin Division		Petrochemical Division	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
(1) ELECTRICITY						
(a) Purchased						
Unit: Lakh KWH	357.73	462.26	462.16	620.36	154.32	245.48
Amount Rs.in lakh	1336.19	1671.63	1692.33	2183.25	578.16	886.34
Rate/Unit: Rs/KWH	3.74	3.61	3.66	3.52	3.74	3.61
(b) Own Generation						
(i) Through Steam						
Turbine/Generator						
Unit: Lakh KWH	45.82	228.37	-	-	92.63	524.30
Unit per litre of fuel						
KWH/litre	3.92	4.03	-	-	3.30	3.56
Cost/Unit:Rs/KWH	7.06	7.04	-	-	7.84	7.75
at normative levels						
(ii) Transfer from other Divisions						
Unit: Lakh KWH	0.12	0.54	-	-	1.47	7.21
Unit per litre of fuel						
KWH/litre	3.30	3.56	-	-	3.92	4.03
Cost/Unit:Rs/KWH	7.84	7.75	-	-	7.06	7.04
at normative levels						
(2) FURNACE OIL/LSHS						
Quantity: Tonnes	8601.13	43730.05	9341.60	11487.39	13622.86	52208.06
Total Cost Rs.in Lakh	1335.55	7089.16	1522.20	1911.86	2347.12	8416.18
Average Rate Rs/MT	15527.61	16211.19	16294.85	16643.12	17229.27	16120.46