

Scaling Heights
Gaining Glory

65th ANNUAL REPORT
वार्षिक रिपोर्ट
2008 - 09

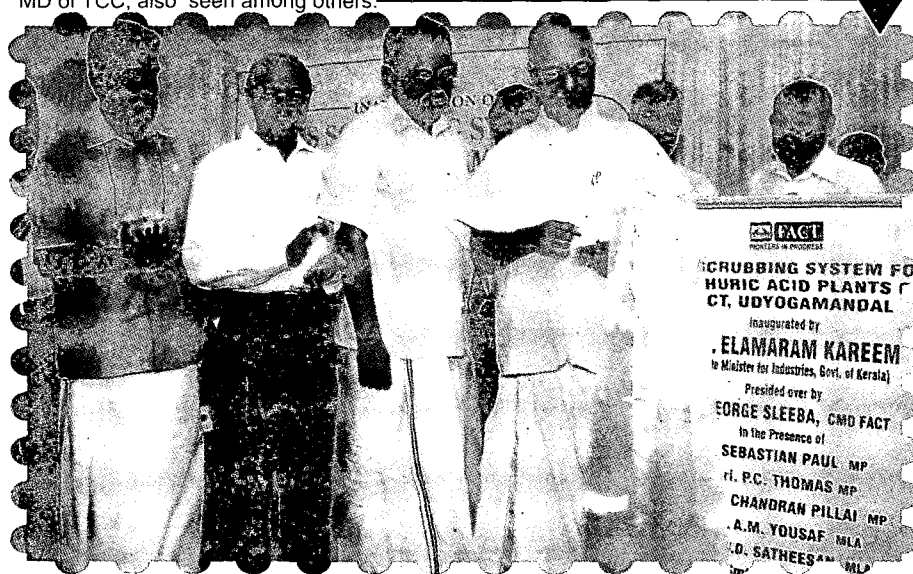


FACT

PIONEERS IN PROGRESS

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

Shri Elamaram Kareem, Minister for Industries, Inaugurates the gas scrubbing system of FACT Sulphuric Acid Plant at a Function held at FACT Udyogamandal on 23.01.09. Shri K Chandran Pillai, MP, Dr. George Sleeba, CMD of FACT, Dr. Sebastian Paul, MP, Shri K A Mohammad, MD of TCC, also seen among others.



Shri P K Gurudasan, Minister for Labour, Dr. Sebastian Paul MP, Shri K Chandran Pillai, MP, Dr. George Sleeba, CMD, Shri A Asokan, D(M), Shri Mathevan Pillai, D(F), Shri K Sasi, Director, Factories & Boilers are seen among others at the inauguration of the Kerala Institute of Welding & Research.



Shri Atul Chaturvedi, IAS, Secretary (Fertilisers) visits FACT Cochin Division



**THE FERTILISERS AND
CHEMICALS TRAVANCORE LIMITED**

Registered Office: Eloor, Udyogamandal, Kochi.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 65th Annual General Meeting of the Company will be held on Friday the 25th day of September, 2009 at 11.00.A.M at 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, 2009 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. Mathew C.Kunnumkal who retires at this Annual General Meeting and being eligible, offers himself for re-election.

Special Business

3. To elect Shri. Sudhir Bhargava as a Director of the company.

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

4. To elect Ms. Pratibha Karan as a Director of the company.

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

5. To elect Shri. T.M.Jeyachandran as a Director of the company.

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

6. To elect Shri. Khan Masood Ahmad as a Director of the company.

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

7. To elect Dr. R.K.Mishra as a Director of the company.

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

8. To elect Dr. B.S.Ghuman as a Director of the company.

The Company has received Notice in terms of Section 257 of the Companies Act, 1956 proposing Dr. B.S.Ghuman for election as a Director of the Company at this Annual General Meeting.


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9. To elect Dr.B.Bodeiah as a Director of the company.

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

10. To elect Shri. S.Balan as a Director of the company.

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

11. To consider and if thought fit pass with or without modification the following Resolution as Special Resolution.

RESOLVED that subject to the provisions of Section 81 (1A) of the Companies Act, 1956 and other applicable provisions, if any, approval be and is hereby accorded for allotment of 29.23 crore equity shares of face value of Rs.10/- each issued at par to Government of India as conversion of loan into equity.

By Order of the Board of Directors.

Sd/-

K.V.Balakrishnan Nair
Company Secretary

Eloor, Udyogamandal

24.08.2009

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Notes:

1. The Register of Members will be closed from 21st September 2009 to 25th September 2009 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:


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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 and Fertilisers, Department of Fertilisers vide Order No. 130/8/2003-HR-1 dated 30th January 2009 appointed Shri. Sudhir Bhargava, Joint 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. Sudhir Bhargava was co-opted as additional Director of the Company with effect from 03.02.2009. 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.Sudhir Bhargava is interested in the resolution.

Item No.4

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2008-HR-1 dated 25th September 2008 appointed Ms. Pratibha Karan, former IAS Officer as a Non-Official Part-time 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. Pratibha Karan was co-opted as additional Director of the Company with effect from 03.10.2008. 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.Pratibha Karan is interested in the resolution.

Item No.5

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2003-HR-1 dated 25th September 2008 appointed Shri.T.M.Jeyachandran, Chartered Accountant as a Non-Official Part-time 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.T.M.Jeyachandran was co-opted as additional Director of the Company with effect from 03.10.2008. 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.T.M.Jeyachandran is interested in the resolution.

Item No.6

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2003-HR-1 dated 25th September 2008 appointed Shri.Khan Masood Ahmad, Professor, JMIU as a Non-Official Part-time 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.Khan Masood Ahmad was co-opted as additional Director of the Company with effect from 03.10.2008. 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.Khan Masood Ahmad is interested in the resolution.

Item No.7

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2003-HR-1 dated 25th September 2008 appointed Dr. R.K.Mishra, Director, IPE, Hyderabad as a Non-Official Part-time 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, Dr.R.K.Mishra was co-opted as additional Director of the Company with effect from 03.10.2008. 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.



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No Director other than Dr.R.K.Mishra is interested in the resolution.

Item No.8

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2003-HR-1 dated 25th September 2008 appointed Dr. B.S.Ghuman, Professor, Punjab University as a Non-Official Part-time 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, Dr.B.S.Ghuman was co-opted as additional Director of the Company with effect from 03.10.2008. 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 Dr.B.S.Ghuman is interested in the resolution.

Item No.9

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2006-HR-1 dated 4th March 2009 appointed Dr.B.Bodeiah, Ex-CMD BVFCL as a Non-Official Part-time 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, Dr.B.Bodeiah was co-opted as additional Director of the Company with effect from 06.03.2009. 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 Dr.B.Bodeiah is interested in the resolution.

Item No.10

Government of India Ministry of Chemicals and Fertilisers, Department of Fertilisers vide Order No. 87/8/2006-HR-1 dated 4th March 2009 appointed Shri.S.Balan, Ex-CMD RCFL as a Non-Official Part-time 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.S.Balan was co-opted as additional Director of the Company with effect from 06.03.2009. 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.S.Balan is interested in the resolution.

Item No.11

The Government of India, has approved a financial re-structuring package for FACT during the year 2006. As per the package, 50% of the outstanding GOI loan of Rs.584.60 crores as on 31.03.2005 (i.e Rs.292.30 crores) is to be converted into equity capital.

Government of India, Ministry of Chemicals and Fertilisers, Department of Fertilisers, has advised FACT to allot the Equity shares to Government of India at a price of Rs.10/- per share. The Department of Fertilisers has also advised FACT to obtain requisite exemption from SEBI for allotment of equity shares to Government of India at Rs.10/- per share. SEBI vide Order No.SEBI/CFD/DIL/PB/VT/165713/2009 dated 8th June 2009 has accorded approval for allotment of shares at a price of Rs.10/- per share to Government of India to the extent of Rs.292.30 crore as conversion of loan into equity.

The Board of Directors of your Company recommends the Special Resolution to comply with the directive of the Government of India, Ministry of Chemicals and Fertilisers, Department of Fertilisers.

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



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

REGISTERED OFFICE

Eloor, Udyogamandal,
Kochi, Kerala

BOARD OF DIRECTORS

Dr. George Sreeba
Chairman & Managing Director

Ms. Pratibha Karan
Non-Official Part-time Director

Shri. A.Asokan
Director (Marketing)

Shri. T.M.Jeyachandran
Non-Official Part-time Director

Shri.K.Mathevan Pillai
Director (Finance)

Shri. Khan Masood Ahmad
Non-Official Part-time Director

Shri.V.G.Sankaranarayanan
Director (Technical)

Dr.R.K.Mishra
Non-Official Part-time Director

Shri.Mathew C.Kunnumkal
Part-time Official Director

Dr. B.S.Ghuman
Non-Official Part-time Director

Shri.Sudhir Bhargava
Part-time Official Director

Dr. B.Bodeiah
Non-Official Part-time Director

Shri. S. Balan
Non-Official Part-time Director

Chief Vigilance Officer

Shri. K.C.Naredi

Company Secretary

Shri. K.V.Balakrishnan Nair

Statutory Auditors

K.Varghese & Co
Chartered Accountants, Kochi

Branch Auditors

M/s. A. John Moris & Co.
Chartered Accountants, Chennai

Cost Auditors

M/s. Sukumaran & Co.,
Cost Accountants, Thiruvananthapuram

M/s. S.R.Mohan & Co.
Chartered Accountants, Hyderabad.

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 65th Annual Report of your Company together with the Audited Accounts and the report of the Auditors for the year 2008-09.

Your Directors are happy to inform you that during the financial year 2008-09, your Company has made an upsurge in sales, turnover and profit.

HIGHLIGHTS

Net Profit - Rs.42.95 crore.

All time high Annual Turnover of Rs.2147 crore.

All time high Imported Urea Sales.

All time high Bio-Fertiliser production.

38% increase in total fertiliser sale over the previous year.

Introduction of New product - FACT Gypsum.

Launching of FACT Organic & Bio - FACT.

Launching of Zincated Factamfos.

Joint Venture operations - Incorporation of new JV Company- FRBL

Joint Venture with department of Factories & Boileries- KIWR

Production of Ammonium Sulphate using direct neutralization process.

Supply of waste steam to a nearby State PSU.

PERFORMANCE - PRODUCTION, SALES AND PROFITABILITY

	2008-2009	2007-2008
1 Production/In Tonnes		
Factamfos 20:20	605047	425530
Ammonium Sulphate	128845	30478
Caprolactam	13548	6759
2 Sales/In lakh Tonnes		
Fertilisers	8.33	6.03
Caprolactam	0.12	0.14
3 Financial/Rs.lakh		
Turnover	214748	88487
Profit/Loss (-) before tax	4311.44	917.61
Provision for Fringe benefit tax	16.00	20.80
Profit/Loss after tax	4295.44	896.81
Profit/Loss b/f from previous year	(-)39517.29	(-)39535.03
Net deficit carried to Balance Sheet	(-)35221.85	(-)39517.29



THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Due to the accumulated loss, your Directors are not recommending any dividend for the year 2008-09.

During the year 2008-09, the production and sale of all products have shown substantial increase despite abnormal increase in raw material prices and its limited availability.

The Company's overall performance during the year 2008-09 was greatly affected by the sharp rise in the prices of key raw materials especially Sulphur and Naphtha in the first 2 quarters of the financial year and global recession in last two quarters. The steep increase in the cost of Raw materials especially that of Phosphoric acid, Sulphur, Naphtha, Benzene and Rock phosphate led to a situation where Caprolactam Plant had to be shut down for a period of more than 8 months. During the year Ammonium Sulphate plant was also shut down from 9th June 2008 to 27th August 2008. Subsequently the Ammonium Sulphate plant alone was operated by direct neutralisation process.

During the year the Company has decided to value its product Gypsum which is produced along with Phosphoric acid in the plants both in Udyogamandal and Cochin divisions. In recent years, there has been increasing demand for gypsum with a quantum jump in its realization. Six cement companies have already entered into a Memorandum of Understanding for purchase of gypsum on a regular basis. The Gypsum is also marketed now in all the Southern States as bagged gypsum on a regular basis. Further the Joint Venture project for manufacturing value added products using gypsum is nearing commissioning. Accordingly a quantity of 39.90 lakh MT, which has been assessed as the saleable quantity for the next 5 years out of a stock of 60.31 lakh MT as on 31.3.2009, has been valued at Rs. 19950 Lakh and taken into stock and shown as Income under extra-ordinary item in the Profit and Loss Account for the year 2008-09.

Towards the end of the year 2008-09, the Company has embarked on the implementation of an enterprise resource planning system - SAP - at a cost of Rs.12 crore. The system is expected to bring better integration of departments, improve the efficiency of working of departments and manpower productivity in the overall improvement in the Management Information System. SAP is expected to go live by November 2009.

The Company has entered into a Joint Venture agreement with Department of Factories and Boilers, Government of Kerala for establishment of Kerala Institute of Welding and Research to conduct courses for qualification as IBR approved welders to cater the growing needs for skilled welders both for the industries in India and abroad. A separate Society under the Travancore Literary, Scientific and Charitable Societies Act, 1955 was registered for conducting the courses relating to welding technology with a grant of Rs. 1 Crore from Government of Kerala.

FACT has launched two fertilizers with value addition of zinc – zincated factamfos and-zincated gypsum. These two products give additional micro-nutrients required by plants. In association with the Green-Kerala Clean-Kerala Mission of the Government of Kerala, FACT has initiated a massive campaign aimed at augmenting the use of organic fertilisers and bio-fertilisers in Kerala and launched two new products - FACT organic and Bio-FACT.

Performance of the Company during the first quarter of the financial year 2009-10 shows a Loss of Rs. 3451 Lakh as against the Profit of Rs.112 Lakh during the corresponding period of the previous year. The Loss during the first quarter of 2009-10 was mainly on account of annual turn around carried out during April/May 2009 and lower level of operation of Caprolactam - Ammonium Sulphate plants due to shortage of Benzene.

Your Directors are happy to inform you that with a view to achieve a 100% increase in turnover and profit over a span of 5 years, the Board of Directors have approved a vision plan for the Company for the next five years.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Management Discussion and Analysis Report covering the operational aspects during the year 2008-09 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, 2009 and of profit and loss account for the year ended March 31, 2009.
- 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.


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 PIONEERS IN PROGRESS

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

STATUTORY AUDITORS, COST AUDITORS

M/s. K.Varghese & Co., Chartered Accountants, Kochi, was re-appointed as Statutory Auditors of the Company for the year 2008-09 by the Comptroller and Auditor General of India. M/s. A.John Moris & Co, Chartered Accountants, Chennai was re-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 2008-09 by the Comptroller and Auditor General of India:

M/s. Sukumaran & Co., Cost Accountants, Thiruvananthapuram has been appointed as Cost Auditors of the Company for the year 2008-09 with the approval of the Government of India.

Comments of Statutory Auditors

The Statutory Auditors in their report made certain comments on the Accounts of the Company for the year 2008-09. The reply to the comments of Statutory Auditors are annexed to this report.

DIRECTORS

RETIREMENT & APPOINTMENTS

During the year Shri.D.N.Pradhan, Director (Finance) has retired from the services of FACT on superannuation.

Government of India, Ministry of Chemicals and Fertilisers, vide order No.86/1/2007-HR-1 dated 04th November 2008 notified the appointment of Shri.K.Mathevan Pillai, Ex-General Manager, FACT, as Director (Finance).

Government of India, Ministry of Chemicals and Fertilisers, vide order No.86/2/2007-HR-1 dated 2nd December 2008 notified the appointment of Shri.V.G.Sankaranarayanan, General Manager, FACT, as Director (Technical).

Government of India, Ministry of Chemicals & Fertilisers vide order No. 130/8/2003 HR-1 dated 12th September 2008 notified the appointment of Shri Vijay Chhibber, Joint Secretary, Department of Fertilisers as part-time official Director in place of Shri Rajesh Agarwal, Director on the Board of Directors of FACT.

Government of India, Ministry of Chemicals and Fertilisers vide order No.87/8/2008-HR-1 dated 25th September 2008 notified the appointment of (i) Ms.Pratibha Karan, former IAS Officer, (ii) Shri. T.M. Jeyachandran, Chartered Accountant (iii) Shri. Khan Masood Ahmad, Professor, JMIU, (iv) Dr.R.K. Mishra, Director (IPE) and (v) Dr. B.S. Ghuman, Professor, Punjab University, as Non-Official Part-time Directors on the Board of Directors of the Company.

Government of India, Ministry of Chemicals and Fertilisers vide order No.87/8/2006-HR-1 dated 4th March 2009 notified the appointment of (i) Dr.B.Bodeiah, Ex-

CMD, BVFCL, and (ii) Shri. S.Balan, Ex-CMD, RCFL, as Non-Official Part-time Directors on the Board of Directors of the Company.

The Board placed on record its appreciation on the valuable services rendered by Shri. D.N.Pradhan, Director (Finance), Shri.Rajesh Agrawal, Director and Shri. Vijay Chhibber, Director.

AUDIT COMMITTEE

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.

PUBLIC DEPOSITS

The total amount of Fixed Deposits as on 31st March 2009 was Rs.1236.54 lakh. As on 31-03-2009, 3 Depositors have not claimed their deposits amounting to Rs.0.45 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

22.08. 2009