

# 71<sup>st</sup>

वार्षिक रिपोर्ट  
 Annual Report  
 2014-2015



दि फर्टिलाइजर्स एण्ड केमिकल्स ट्रावनकोर लिमिटेड  
 (भारत सरकार का उद्यम)

पंजीकृत कार्यालय: एलूर, उद्योगमंडल-683 501, कोची, केरल, भारत. वेबसाइट <http://www.fact.co.in>

**THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED**

(A Government of India Enterprise)

Regd. Office: Eloor, Udyogamandal-683 501, Cochin, Kerala, India. Website: <http://www.fact.co.in>

CIN: L24129KL1943GOI000371



## **BOARD OF DIRECTORS**



**Shri Jaiveer Srivastava**  
Chairman & Managing Director



**Shri P. Muthusamy**  
Director (Finance)



**Shri V. K. Anil**  
Director (Technical)



**Shri S. K. Lohani**  
Director



**Shri Sham Lal Goyal**  
Director



# C O R P O R A T E   I N F O R M A T I O N

## BOARD OF DIRECTORS

Shri **Jaiveer Srivastava**, Chairman & Managing Director  
Shri **P.Muthusamy**, Director (Finance)  
Shri **V.K.Anil**, Director (Technical)  
Shri **S.K.Lohani**, Govt. of India Nominee Director (from 24.06.2014)  
Shri **Sham Lal Goyal**, Govt. of India Nominee Director (from 06.05.2015)  
Shri **V.Subramanian**, Director (Marketing) (upto 09.06.2015)  
Shri **K.M.Gupta**, Govt. of India Nominee Director (upto 06.05.2015)

## CHIEF VIGILANCE OFFICER

Shri **J. Vinayan**, IRTS

## GENERAL MANAGERS

Shri **Manuel Zacharias** (FEDO-I)  
Smt.**Ambika I.S.** (Marketing)  
Smt.**Mariamamma K.T.** (FEDO-II)  
Shri **Sreekumar M.** (Production Coordination)  
Shri **Jacob Kurian E.** (Cochin Division)  
Shri **Sreenath V.Kamath** (Corporate Finance)  
Shri **Jayakumar A.V.** (HR & Administration)  
Shri **Sreekumar P.** (Materials)  
Shri **Ashok Kumar K.** (ENGG., FEDO)  
Shri **Pradeed P.** (Internal Audit)

## COMPANY SECRETARY

Shri **Balakrishnan Nair K. V**

## AUDITORS

**Statutory Auditors**  
M/s. **K. Varghese & Co.,**  
Chartered Accountants, Kochi

**Branch Auditors**  
M/s. **R. Sadasivan & Co**  
Chartered Accountants, Chennai  
M/s. **Praturi & Sriram**  
Chartered Accountants, Hyderabad

**Cost Auditors**  
M/s. **BBS & Associates**  
Cost Accountants, Kochi

## BANKERS

State Bank of Travancore  
State Bank of India  
Bank of India  
Canara Bank

Dena Bank  
Bank of Baroda  
State Bank of Hyderabad





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Registered Office: Eloor, Udyogamandal, Kochi 683 501, Kerala.

CIN: L24129KL1943GOI000371

Tel: 0484-2546486, Fax: 0484-2546637

Website: www.fact.co.in, E-mail: kvbnair@factltd.com

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 71st Annual General Meeting of the members of The Fertilizers and Chemicals Travancore Ltd. will be held on Monday the 28th day of September 2015 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 financial statement of the Company for the financial year ended 31st March, 2015, Cash Flow Statement for the year ended 31st March 2015 and Reports of the Board of Directors and Auditors thereon.
2. To elect a Director in place of Shri S.K. Lohani (DIN 06912948), who is liable to retire by rotation and offers himself for re-election.
3. To fix the remuneration of Statutory Auditors and Branch Auditors for the Financial Year 2015-2016.

Members may consider and if thought fit pass with or without modification the following Resolution as an ordinary resolution.

RESOLVED that the Board of Directors of the Company be and is hereby authorized to fix remuneration of the Statutory Auditors and Branch Auditors appointed by the Comptroller and Auditor General of India for the financial year 2015-16.

#### Special Business

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 148 and all other applicable provisions of the Companies Act 2013 and the Companies (Audit and Auditors) Rules 2014, the Cost Auditors appointed by the Board of Directors of the Company to conduct the audit of the cost records of the company for the financial year 2015-16 be paid the remuneration of ₹65,000/- plus out of pocket expenses (subject to a maximum of ₹10,000/-).

5. To consider and if thought fit, pass the following resolution with or without modification, as a special resolution.

RESOLVED that pursuant to Section 180 (1) (c) and all other applicable provisions, if any, of the Companies Act, 2013, approval be and is here by accorded to the Board of Directors for raising through borrowings, loans, overdraft, cash credit, etc. up to ₹2000 crore. (apart from temporary loans obtained from the Companies Bankers in the ordinary course of business) from banks, Financial Institutions and other sources for the purpose of Financing working capital requirements and also for acquisition of capital assets and / or for any other requirements of the company not withstanding 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

19-08-2015

#### Note:

1. The Register of Members will be closed from 25th September 2015 to 30th September 2015 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 instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. Pursuant to Clause 35B of the Listing Agreement and Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules 2014, and Companies (Management and Administration) Amendments Rules, 2015, the Company is offering e-voting facility to its members. The Company engaged the services of M/s. National Securities Depository Limited (NSDL) to provide e-voting facility to members. Instructions and other information relating to e-voting are given in this notice under note No. 6.
4. The relative explanatory statement required under Section 102 of the Companies Act, 2013 is given separately.
5. Members, who have not registered their e-mail address so far, are requested to register their e-mail address for receiving all communications from the Company electronically.
6. Information and other instructions relating to e-voting are as under:
  1. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).



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- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 25.09.2015 (9:00 am) and ends on 27.09.2015 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21.09.2015, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. The process and manner for remote e-voting are as under:
  - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :
    - (i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
    - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
    - (iii) Click on Shareholder - Login
    - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
    - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
    - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
    - (vii) Select "EVEN" of The Fertilisers and Chemicals Travancore Limited.
    - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
    - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
    - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
    - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
    - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [cfccochin@gmail.com](mailto:cfccochin@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
  - B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :
    - (i) Initial password is provided at the bottom of the attendance slip for the AGM.
    - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 21st September 2015.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 21st September 2015, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XIII. Shri M.C.Sajumon, Company Secretary, Kochi, has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of



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scrutinizer, by "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

- XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVI. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.fact.co.in](http://www.fact.co.in) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the National Stock Exchange of India, Mumbai.

### Explanatory Statement Under Section 102 of the Companies Act, 2013 in respect of the Special Business to be transacted at the Meeting.

#### Item No. 4

The Board on the recommendation of the Audit Committee has approved the appointment of M/s BBS & Associates, Cost Accountants, Kochi, as Cost Auditors to conduct the audit of cost accounts of the Company for the financial year 2015-16 on a remuneration of ₹65,000/- plus out of pocket expenses (subject to a maximum of ₹10,000/-). As per Rule 14 of Companies (Audit and Auditors) Rules 2014 read with Section 148(3) of the Companies Act 2013, the remuneration recommended by the Audit Committee shall be considered and approved by the Board of Directors and ratified subsequently by the shareholders. Accordingly the consent of the members is sought through an ordinary resolution for ratification of remuneration payable to the Cost Auditors for the financial year 2015-16.

No Director / Key Managerial Personnel / Relatives of Directors and Key Managerial Personnel is interested in the resolution.

#### Item No. 5

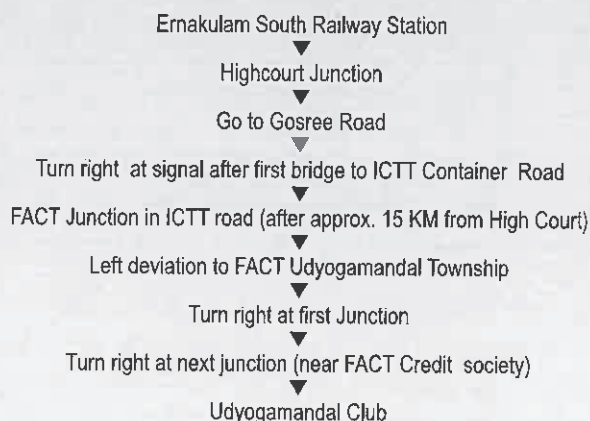
The shareholders of the Company in its 64th Annual General Meeting held on 27th day of September, 2008 authorized the Board of Directors for raising fund based and non-fund based loans, overdraft, etc. upto a limit of ₹1750 crore. There had been substantial change in the operational requirement, and there is likely to be a requirement of enhancing limit as and when the proposal submitted by the company towards revival is approved. Considering this, the Board of Directors has decided to increase the limit from the current level of ₹1750 crore to ₹2000 crore. The increased limit is expected to take care of various types of requirements from time to time.

To comply with the provisions of Section 180 of the Companies Act, 2013, The Board of Directors of your company recommended a special Resolution as set out in the notice.

No Director/ Key Managerial Personnel/ Relatives of Directors and Key Managerial Personnel is interested in the resolution.

### Route map to Udyogamandal Club, Eloor, Udyogamandal, Kochi.

Route from Ernakulam South Railway station to Udyogamandal Club – FACT  
(Distance by Road 18 KM)





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### DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 71<sup>st</sup> Annual Report and audited Financial Statements of the Company and the report of the Auditors for the financial year 2014-15.

Your directors are happy to inform you that the company could sustain its operations at a reasonable level during the financial year 2014-15 despite the constraints and adversities.

#### Highlights/Achievements – 2014-15

- FAI Award for Best Production Performance
- Skoch Renaissance Award 2014 in recognition of the successful implementation of the innovative project of transportation of liquid ammonia by barge fitted with bullet tanks.
- India Sea Trade Awards for Cargo Owner/User.
- "Most Valuable PSU" award in the India Today Group PSU Awards, 2014
- Award for the "Organization with Innovative HR practices" at the Asia Pacific HRM Congress 2014.
- Winner for the outstanding safety performance for the year: 2014 by M/s National Safety Council, Kerala Chapter.
- Highest production of Bio-fertilizers in the last 5 years.

#### PERFORMANCE - FINANCIAL, PRODUCTION AND SALES

The Company's performance for the year ended March 31, 2015 is summarized below.

A. FINANCIAL		₹ in Lakh
	2014-2015	2013-2014
Turnover	203236.00	227622.18
Revenue from operations	197879.00	220938.13
Other Income	1855.00	1401.00
Total Revenue	199734.00	222339.00
Total Expenses	237318.00	259241.00
Profit / Loss (-) Before Tax & Exceptional items	-37585.00	-36903.00
Exceptional items	-2406.00	10407.00
Profit / Loss (-) After tax	-39991.00	-26496.00

B. PRODUCTION		in Tonnes
	2014-2015	2013-2014
Factamfos 20 : 20	614004	663787
Ammonium Sulphate	120360	178792
Caprolactam	0	0

C. SALES		in Tonnes
	2014-2015	2013-2014
Fertilisers	776858	853442
Caprolactam	0	0





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### Financial Results

Despite reasonable production and marketing performance of the company, the financial results for the year 2014-15 shows a loss of Rs.39990.79 lakh as against a loss of Rs.26495.63 lakh during the year 2013-14.

Working capital constraints, High interest and finance charges, low level of operation, decrease in total revenue and non-operation of Caprolactam Plant through out the year, etc. are the main reasons for the negative working results.

Total revenue earned by the Company during the financial year 2014-15 is ₹1997 crore as against ₹2223 crore during the financial year 2013-14. Total interest and finance charges incurred during the year is ₹196.28 crore. The Company has provided interest on GOI loan and penal interest totalling ₹57.87 crore during the year 2014-15. Considering the poor financial performance of FRBL and as a prudent measure, during the financial year 2014-15, the entire investment made in FRBL and the amount due from FRBL totalling ₹40.84 crore was written off.

Due to accumulated loss, your directors are not recommending any dividend for the financial year 2014-15. The Company has not transferred any amount to Reserve during the financial year 2014-15.

### Operations

The fertilizer production and sales performance of the company during the year 2014-15 was affected by the dependency on import Ammonia for fertilizer production during the first ten months and severe working capital crisis. There were constraints in Ammonia import infrastructure and logistics limiting the production levels to about 70% - 80%.

With the favourable international price situation, the Company has re-started LNG operations with effect from 10<sup>th</sup> February 2015 based on a letter of comfort facility issued by the Department of Fertilizers in favour of MMTC. In spite of this, during the fourth quarter of the aforesaid year 2014-15, Company was not in a position to ensure other raw-materials due to severe financial crunch. However with all out efforts, Company could achieve Factamfos production of 6.14 lakh MT and Ammonium Sulphate production of 1.2 lakh MT. Due to economic reasons, the Caprolactam plant remained shut down through out the financial year 2014-15. However, in-house modification has been carried out in the plants to maintain production of Ammonium Sulphate at 100% capacity through direct neutralization.

The sales performance during the year include sale of 6.22 lakh MT of Factamfos, 1.1 lakh MT of Ammonium Sulphate, 0.3 lakh MT of Traded MOP and 5.2 lakh MT of Gypsum. The sale of 66.235 MT of Bio-fertilizers is the highest sale in the last 4 years.

**FEDO completed its first year** as a profit center in an excellent way. The turnover increased from ₹11.05 crore in 2013-14 to

₹18.48 crore in 2014-15. The loss of FEDO also came down from ₹187.77 lakh in 2013-14 to ₹36.55 lakh in 2014-15. During the financial year, FEDO has bagged orders worth Rs.860 lakh. The value of jobs on hand as on 31.3.2015 is ₹220 crore.

### Performance - 2015-16

Your Directors are pleased to inform you that the annual maintenance work could be completed in time and the plants are restarted as per schedule to cater to the increasing fertilizer demand of the monsoon season. The production and marketing performance during the first quarter of the financial year 2015-16 is encouraging. The Company could produce 124550 tonnes of Factamfos and 24079 tones of Ammonium Sulphate during the 1<sup>st</sup> quarter of the financial year 2015-16.

FACT has been exploring avenues to strengthen the organic nutrient source of the soil. FACT has entered into an MOU with Kerala Agricultural University for marketing of Bio-fertilizers being produced by the University.

FACT has fixed an ambitious targets for production and marketing of fertilizers for the financial year 2015-16 and entered into a performance MOU with the Department of Fertilizers. As per the MOU, the Company envisage a sales turnover of ₹2614 crore for the year 2015-16. The major physical targets for the year include production and marketing of 6.80 lakh tones of Factamfos, 1.89 lakh tones of Ammonium Sulphate and 150 tonnes of Bio-fertilizers. The company intends to augment its core competency sectors with a projected turn over of ₹66 crore for FEDO and ₹22 crore for FEW, the Consultancy and Fabrication divisions.

The financial relief package submitted by the company and cleared by the Board for Restructuring of Public Sector Enterprises (BRPSE) is still under the consideration of the Government of India. The sanctioning of the updated financial relief package is vital for the long term sustenance of the Company.

### Management Discussion and Analysis Report

A Management Discussion and Analysis Report covering the operational aspects for the year under review, as stipulated under clause 49 of the listing agreement with the Stock Exchange is presented in a separate section forming part of the Directors Report.

### Directors and Key Managerial Personnel

#### Appointments

Governments of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers vide Order No. 130/8/2003-HR-I dated 01<sup>st</sup> May 2014 notified the appointment of Shri K.M.Gupta, Economic Adviser, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India as a part time Government nominee Director on the Board of FACT in place of





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Shri V.K.Subburaj, Director.

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide Order No.130/8/2003-HR-I dated 19<sup>th</sup> June 2014 notified the appointment of Shri S.K.Lohani, Joint Secretary, Department of Fertilisers, Ministry of Chemicals & Fertilisers as Part-time Government nominee Director, in place of Shri S.C.Gupta, Director on the Board of FACT.

Government of India, Ministry of Chemicals & Fertilisers, Department of Fertilisers, vide Order No.130/8/2003-HR-1 dated 27<sup>th</sup> April 2015 notified the appointment of Shri Sham Lal Goyal, Joint Secretary (SLG), Department of Fertilisers, Ministry of Chemicals & Fertilisers as Part-time Government Nominee Director, in place of Shri K.M.Gupta, Ex-Economic Advisor.

The Board at its meeting held on 12.2.2015 appointed Shri Jaiveer Srivastava, C&MD, Shri P. Muthusamy, Director (Finance), Shri V.K. Anil, Director (Technical), Shri V.Subramanian, Director (Marketing) and Shri K.V. Balakrishnan, Company Secretary as Key Managerial personnel of the company.

### Retirements and resignations

Consequent to the appointment of Shri Sham Lal Goyal as Government of India nominee Director of FACT, Shri K.M.Gupta, Director retired from the Board of FACT with effect from 6.5.2015.

Shri V.Subramanian, Director (Marketing) resigned from the Board of FACT and Government of India vide Order No.82/3/2006-HR-I dated 9<sup>th</sup> June 2015, accepted the resignation of Shri V.Subramanian with effect from 9.6.2015.

The Board place on record its appreciation of the valuable services rendered by Shri K.M.Gupta, Director and Shri V.Subramanian, Director (Marketing).

### Annual Evaluation of Board.

FACT being a Government Company, all appointments in the Board is made by the Government of India, Ministry of Chemicals and Fertilisers, Department of Fertilisers. The performance of Directors are evaluated by the Ministry of Chemicals & Fertilisers, Department of Fertilisers, Government of India. As per Government of India, Ministry of Corporate Affairs notification dated 5<sup>th</sup> June 2015, clause (e) and (p) of sub-section 3 of Section 134 of the Companies Act 2013 relating to appointment, remuneration and Annual evaluation of Board on its performance are not applicable to FACT.

### Meetings of the Board

During the financial year 2014-15, ten meetings of the Board were convened and held. The details of the meetings of the Board of Directors are given in the report on Corporate Governance, which

is a part of this report. The intervening gap between the meetings was within the period prescribed under the Companies Act 2013.

### Director's Responsibility Statement

Pursuant to Sec.134(3) of the Companies Act, 2013, your Directors hereby state that:

- in the preparation of annual accounts for the year ended March 31, 2015, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- the directors have 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, 2015 and of profit and loss statement for the year ended March 31, 2015.
- 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.
- the directors have prepared the annual accounts on a going concern basis.
- the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Corporate Governance

The Company is committed to maintain the highest standard of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The Board lays emphasis on transparency and accountability for the benefit of all stakeholders of the Company. The Report on Corporate Governance as stipulated under the listing agreement annexed to this report forms an integral part of this report.

### AUDITORS

#### (1) Statutory Auditors.

M/s. K.Varghese & Co., Chartered Accountants, Kochi, was appointed as Statutory Auditors of the Company for the year 2014-2015 by the Comptroller and Auditor General of India. M/s.Praturi & Sriram, Chartered Accountants, Hyderabad, and M/s. R. Sadasivan & Co, Chartered Accountants, Chennai, were re-appointed as



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Branch Auditors for the year 2014-2015, by the Comptroller and Auditor General of India.

The Statutory Auditors in their report has emphasized certain issues which are being addressed by the Company.

### (2) Cost Auditors

M/s. BBS & Associates, Cost Accountants, Kochi has been re-appointed as Cost Auditors of the Company for the year 2014-2015.

### (3) Secretarial Auditors

M/s.SVJS & Associates, Company Secretaries, Kochi, has been appointed as Secretarial Auditors of the Company for the year 2014-15. The report of the Secretarial Auditor is annexed to this report as **Annexure-1**

Clarification/reply to the remarks of Secretarial Auditor is annexed as **Annexure.2**.

### Audit Committee

In line with the provision of Section 177 of the Companies Act 2013 and Clause 49 of the listing agreement with Stock Exchange, an Audit Committee of the Board has been constituted. Details of Members/ Meetings of the Audit Committee is elaborated in the report on Corporate Governance.

### Associate Company

FACT-RCF Building Products Limited (FRBL) is the only associate company of FACT. During the financial year 2014-15 no Company has become/ ceased to become subsidiaries/ Joint Ventures and Associate Company of FACT.

### Public Deposit

During the financial year 2014-15, the company has not accepted any deposit from public. However, as on 31.3.2015, ₹0.49 lakh is lying in unclaimed matured fixed deposit account.

### Contract or arrangement with related parties

During the financial year 2014-15, FACT has not entered into any contracts or arrangements with related parties referred to in sub-section (1) of section 188 of the Companies Act 2013.

### Corporate Social Responsibility

FACT continues to give priority on various Social Responsibility measures during the financial year 2014-15. The Company has constituted a Board level Committee as per the provisions of Companies (Corporate Social Responsibility Policy) Rules 2014. Annual Report on CSR as per the provisions of Companies (Corporate Social Responsibility Policy) Rules 2014 is annexed to this report as **Annexure.3**

### Material changes and commitments

There were no material changes and commitments affecting the financial position of the company between the end of financial year (31st March 2015) and the date of the report (19th August 2015).

In the Audit Report for the Financial Year 2012-13, the Statutory Auditors have made certain qualification on valuation of closing stock of Gypsum having an impact of ₹53.64 crore on the financial results. The Securities and Exchange Board of India (SEBI) vide letter dt. 27.04.2015 advised the Company to restate the financial results for the financial year 2012-13 and 2013-14 (if the same qualification is repeated in 2013-14 also), and the effect of these restated adjustment may be carried out in the annual accounts of the financial year 2014-15 as a prior period item.

Without prejudice to the right of the company to challenge the advice of SEBI in the appropriate forum, the Company has given effect to the restatement adjustment on valuation of gypsum as a prior period item in the financial statement of 2014-15. Subsequently, FACT has approached Hon'ble High Court of Kerala by way of Writ Petition, requesting to quash the Order issued by SEBI directing FACT to restate the financial year statement for the financial year 2012-13. The Hon'ble High Court of Kerala has set aside the Order issued by SEBI. The Hon'ble High Court of Kerala has also directed that the order of QARC, if any, shall be communicated to the petitioner and the petitioner shall be heard by the SEBI and orders passed clearly showing the reasons for ordering a restatement of accounts.

### Risk Management

FACT has formulated a risk management policy for identification of potential area of risk and mitigation of the same. FACT is having adequate risk management infrastructure in place capable of addressing all potential risks.

### Internal Financial Control

FACT is having an Internal Control System, commensurate with the size, scale and complexity of its operations. The Internal Audit wing of FACT headed by a General Manager monitors and evaluate the efficacy and adequacy of Internal Control System in the Company. The observation of internal audit and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board. Based on the recommendation of Internal Audit, the functional heads take necessary corrective actions in their functional area thereby strengthen internal control.

### Vigil Mechanism