



MD	✓		BKC	NA
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	NA		AC	✓
AGM	✓		SFI	✓
YE				

Annual Report 1996-97

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Directors

Vijay Mallya, *Chairman*
 Mehta D P, *Managing Director*
 Gupte S R
 Ashok Kumar Doda
 Gopal Reddy C
 Gundannavar V R
 Narayanaswamy S
 Viswanathan N
 Asvathanarayan G
 Venkataraman S
 Mani Narayanswami

Executives

Sastry G V A, *Senior Vice President (Works)*
 Shetty M B, *Vice President (Marketing)*
 Krishnamurthy A, *Vice President (Finance)*
 Divakara Bhatt, *Vice President (Personnel & Administration)*

Company Secretary

Kannan S

Legal Advisors

King & Partridge

Auditors

Fraser & Ross

Financial Institutions

Industrial Development Bank of India
 Industrial Finance Corporation of India Limited
 Industrial Credit and Investment Corporation of India Limited
 Life Insurance Corporation of India
 Industrial Reconstruction Bank of India
 Unit Trust of India
 General Insurance Corporation of India

Bankers

State Bank of India
 Canara Bank
 Punjab National Bank
 State Bank of Mysore
 State Bank of Travancore
 Syndicate Bank
 Bank of Baroda
 Indian Overseas Bank
 Corporation Bank
 Karnataka State Co-operative Apex Bank Limited

Registered Office

10/2, Kasturba Road
 Bangalore 560 001

Works

Panambur
 Mangalore 575 010

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirtieth Annual Report of the Company together with the audited statement of accounts for the accounting year ended March 31, 1997. An abstract of the comparative financial performance of the Company for the year under review is presented below:

	(Rs. crores)		
	1996-97	1995-96	Increase %
Turnover	312.73	219.33	42
Operating Profit	26.18	3.94	564
Interest	20.20	20.51	
Depreciation	7.50	7.31	
Prior period adjustment	1.70	2.58	
Net Profit	0.18	(-) 21.29	

The Directors regret their inability to declare a dividend.

PLANT OPERATIONS

Your Directors are happy to inform you that the Company has achieved, for the first time, the highest ever production of Urea of 3.42 lakh tonnes corresponding to 101% of the rated capacity. Di-Ammonium Phosphate (DAP) production was 1.31 lakh tonnes - 95% of the capacity, and Ammonium Bi-Carbonate (ABC) production was a record of 7524 tonnes. As the members may be aware, these levels of production have been achieved despite the fact that a complete revamp of the plant, especially the front end of the Ammonia Plant, could not be carried out as envisaged in the Rehabilitation Package of September, 1990, due to non-availability of committed funds. Repairs and modifications are now being carried out only when absolutely needed - a situation not good for maintaining healthy and reliable plants. As a result, the operating personnel are working with major constraints and under severe strain, worrying all the time about potential plant breakdowns and increasing maintenance costs.

SALES

During the year, your Company made a record sale of Urea of 3.14 lakh tonnes, the highest ever achieved so far. DAP and ABC sales were of the order of 1.01 lakh MTs and 7277 tonnes respectively. ABC exports have risen and were at 254 tonnes during the year. The hike in adhoc subsidy from Rs. 1,000/- to Rs. 3,000/- per MT for DAP was a welcome decision as it helped somewhat improve the overall profitability on the product and encouraged higher consumption by the farmers. Still, the unbalanced use of NPK nutrients continues.

FINANCE

Profitability improved with the higher levels of production. While the operating profit for the year was Rs. 26.18 crores, the Company achieved a net profit of Rs. 18 lacs after fully providing for interest and depreciation. This would have been higher but for the

high cost of temporary KEB power of Rs. 3.51 crores that had to be utilised on account of the total breakdown of two DG engines in the Captive Power Plant.

Urea is under the Retention Pricing Scheme of the Government of India. As the final retention price for the extended VI pricing period (1-4-94 to 31-3-97) has not yet been notified by the Government of India, the retention price support for the year does not include any benefit that might accrue to the Company. Once GOI notifies the revision in price, the benefit will be accounted. The Board of Directors have consciously taken this conservative approach in finalising the accounts for the year under review.

The profitability has also been affected by abnormally high interest charges due to the very high loan base of the Company, which is continuing to increase with delays in finalising and implementing the Rehabilitation Package.

The profitability of the Company has also been affected by the higher fertilizer inventory with the Company at the end of the year. As members will note, this inventory is conservatively valued at cost of production, while it has a higher market value.

With the continuing 5% retention by the consortium of banks since June 1994 totalling Rs. 44.90 crores, without making available much needed working capital facilities, and the withholding of the Company deposit of Rs. 27.39 crores by IDBI, the cash flows of the Company continue to be excessively strained. With the timely payments of subsidy and other claims by GOI and the accommodation extended by suppliers, the operations are being maintained.

INDUSTRIAL RELATIONS

Industrial relations have been cordial and employees at all levels are committed to working towards the revival of the Company. The highly satisfactory capacity utilisation in all plants reflects the united determination and your Directors seek the same continued co-operation of the employees in the coming years.

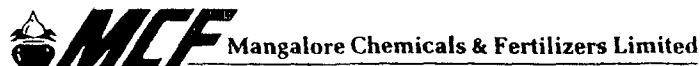
REHABILITATION PACKAGE

Hearings before BIFR continue. Based on an advertisement issued by IDBI at the instance of BIFR, only a single complete offer for revival was received and was found to be totally inadequate and unacceptable. However, an opportunity has been given to the bidder to revise the bid, if possible, latest by 4-9-1997.

In the meanwhile, the Company itself has proposed a scheme to both the Operating Agency and BIFR to revive the Company which, it is expected, will be reviewed and accepted.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of



Board of Directors) Rules, 1988 is given in the annexure forming part of this report.

PERSONNEL

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report.

ANNEXURES TO DIRECTORS' REPORT

The following are annexed to the Directors' Report as required under the Companies Act and the Rules made thereunder:

- I. Conservation of Energy in Form 'A'.
- II. Research and Development, Technology Absorption, Adaptation and Innovation in Form 'B'.
- III. Particulars of Employees as per Section 217 (2A) of Companies Act.

Total Foreign Exchange used : Rs. 8305.35 lakhs

Total Foreign Exchange earned : Rs. 16.85 lakhs

DIRECTORS

Mr N B Chandran, President and Managing Director, passed away after a brief illness on October 25, 1996. The Board places on record its appreciation for the valuable contribution made by him during his six years with the Company.

Mr D P Mehta was nominated to the Board by the UB Group vide Article 98 (c) of Articles of Association vice late N B Chandran. The Board of Directors approved his appointment as Managing Director with effect from 23-12-1996.

In Pursuance of Article 98 (c) of the Articles of Association, the UB Group nominated Mr S R Gupte as Director on the Board vice Mr K S Subbiah.

Pursuant to Article 112 of the Articles of Association of the Company, Board of Directors have appointed Mr Mani Narayanswami as an Additional Director on 23-12-1996. Mr Mani Narayanswami holds office upto the date of the ensuing Annual General Meeting.

BIFR has withdrawn the nomination of Mr S R Singh and has appointed Mr G Asvathanarayan as a Special Director w.e.f. 18-8-1997.

The Board places on record its appreciation for the valuable guidance received from Mr K S Subbiah and Mr S R Singh during their respective tenures as Directors and welcomes the new Directors to the Board.

Mr C Gopal Reddy retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

The Company has received notices from Members pursuant to Section 257 of the Companies Act, 1956 and Article 109 of the Articles of Association of the Company, signifying their intention to propose the candidature of Mr Mani Narayanswami as Director of the Company. Your Directors have pleasure in recommending the appointment of Mr Mani Narayanswami as Director of the Company.

AUDITORS AND AUDITORS' REPORT

Messrs Fraser & Ross, Statutory Auditors of the Company hold office until the conclusion of the ensuing annual general meeting and are recommended for re-appointment. The Company has received a certificate from them that re-appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

The Notes on the Accounts referred to in the Auditors' Report are self-explanatory.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their appreciation for the support from the state and central Governments, local agencies, financial institutions, banks, dealers, the farming community and its customers and shareholders. The Board also appreciates the determination of its employees to work towards the revival of the Company.

On behalf of the Board of Directors

Bangalore
August 25, 1997

Vijay Malliya
Chairman

ANNEXURE – I

FORM A

(See Rule 2)

CONSERVATION OF ENERGY

A. Power and Fuel Consumption:		Current year	Previous year
1. Electricity		1996 – 97	1995 – 96
a) Purchased Units – Lakh KWH		268.42	184.48
Total amount – Rs. lakhs		1196.08	508.66
Rate/Unit – Rs.		4.46	2.76
b) Own generation:			
Through Diesel Generator			
Units – Lakh KWH (Net)		2196.83	1619.09
Units – per litre of Fuel Oil		3.98	3.98
Cost/Unit – Rs.		2.38	2.43
2. Furnace Oil/LSHS (KL):		55201.43	40536.432
Total amount – Rs. lakhs		3690.95	2156.45
Average Rate – Rs./KL		6686.33	5319.77
B. Consumption per unit of production:			
Products (with details)	Unit		
Electricity – Urea	KWH	703	739
DAP	KWH	46	72
Furnace Oil – Urea	KL	0.095	0.09
DAP	KL	0.01	0.01

ANNEXURE – II

FORM B

(See Rule 2)

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the Company and benefits derived :
 - a) Trial and demonstrations were carried out in Tanning Industries at Madras, Ranipet, Ambur and Bangalore with our Ammonium Bi-carbonate, as a better substitute and more eco-friendly to the present processing chemicals by the leather industry. Subsequent to these trials, consumption by these industries has increased.
 - b) It was successfully proved in CFTRI that the usage of our ABC in food and other related items makes for better and tasteful preparations. We have applied for clearance under the Prevention of Food Adulteration Act (PFA) for usage of ABC by the food industry.
2. Future plan of action : After PFA clearances, trial and demonstrations will be undertaken.
3. Expenditure on R & D : Rs. 5.27 lakhs.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief :
 - Indigenisation of :
 - a) Plummer block of Induced Fan in DAP cooler.
 - b) John Zink Burner Oil gun assembly in Primary Reformer.
 - c) Shaft for Elliott make turbines.
 - d) Impeller with hub for vent gas fan in DAP.
 - e) Stuffing box barrel for Ca₂bamate Pump.
2. Benefits derived : Foreign Exchange savings and quality improvement.
3. Technology Imported during the last 5 years. : None