

Unaudited financial results (provisional) for the second quarter ended 30 September 2002

S.No.	Description	Second Quarter	Second Quarter	Six months	Six months	Year ended
		ended 30th September 2002	ended 30th September 2001	ended 30th September 2002	ended 30th September 2001	31st March 2002 (Audited)
1	Sales/Income from Operations	37290.83	52316.62	69530.19	75941.39	170064.14
2	Other Income	831.21	553.05	1116.64	1043.86	2134.26
3	Total Expenditure					
	(Increase)/decrease in stock in trade	1500.43	1905.37	(2969.33)	(1018.69)	13396.04
	Consumption of raw materials	18225.91	19842.04	36897.07	29590.70	63859.26
	Purchase of finished goods	255.38	6921.65	430.84	11883.47	18656.41
	Power, fuel and water charges	5186.05	5618.64	11478.72	8896.10	20116.30
	Staff cost	2411.44	2348.43	4370.85	4142.26	9034.37
	Other expenditure	7262.87	10862.96	13607.04	15470.13	44012.48
4	Interest	4428.89	5086.88	8742.64	10609.12	20235.96
5	Depreciation	1112.89	1053.83	2196.26	2133.39	4438.38
6	Profit/(Loss) before tax (1+2-3-4-5)	(2261.82)	(770.13)	(4107.26)	(4721.23)	(21550.80)
7	Provision for Taxation	-	-	-	-	-
8	Net Profit/(loss) (6-7)	(2261.82)	(770.13)	(4107.26)	(4721.23)	(21550.80)
9	Paid-up Equity Share Capital (face value Rs.10 per share)	8804.77	8804.77	8804.77	8804.77	8804.77
10	Reserves excluding Revaluation Reserves					28607.71
11	Basic and diluted EPS (not annualised) (Rs)	(2.60)	(1.02)	(4.73)	(5.65)	(24.98)
12	Aggregate of Non-promoter shareholding					
	- Number of Shares	61591419	61591419	61591419	61591419	61591419
	- Percentage of Shareholding	69.95	69.95	69.95	69.95	69.95

Notes:

(a) The Ammonia/Urea plants at Tuticorin were shut down due to water shortage from 2nd August, 2002 to 2nd September, 2002 and from 27th September, 2002 to 8th October, 2002 due to fire in Naptha line in the Hydrofining section which affected production, sales and results for the half year ended 30th September, 2002.

(b) No provision has been made for the accumulated net deferred tax liability upto 31st March, 2001 amounting to Rs.11389 lacs as an interim stay of clause 33 of Accounting Standard 22 - Accounting for taxes on income - has been obtained from the Madras High court. Clause 33 of the above standard provides that the net deferred tax liability accumulated up to 31st March, 2001 should be provided for, with a corresponding charge to revenue reserves. Due to losses for the year ending 31.3.2002, the accumulated net deferred tax liability as on 31st March, 2002 is lower than that as on 31st March, 2001. Since no provision has been made for such deferred tax liability upto 31st March, 2001 as stated above, no recognition of deferred tax asset of Rs.6688 lacs and Rs. 1503.12 lacs has been made for the year ending 31st March, 2002 and for the six months period ended 30.9.2002 respectively. The Institute of Chartered Accountants of India have filed a petition before the Supreme Court to transfer all such cases pending before various High Courts to the Supreme Court.

(c) The qualifications made by the Auditors in their audit report on the accounts of the Company for the year ended 31st March, 2002, and the comments of the Board thereon and updated position as on 30th September, 2002 are as under:

(i) Auditors qualification: "An amount of Rs.53733.01 lacs shown under Loans and Advances representing, Advances against equity of Rs.15070.64 lacs, Inter Corporate deposits of Rs.8052.74 lacs and interest of Rs.30609.63 lacs accrued on both, has been invested in SPIC Petrochemicals Limited, a project promoted by the company in 1994-95. The company is hopeful that no loss will arise out of the above involvement. We are unable to express an opinion in the matter".

Board's Comment: The Lenders Committee have appointed M/s. Tata Consulting Engineers Limited (TCE) as Lenders' Engineer to assess the revised project cost and the viability of the project. M/s. TCE have completed their study and submitted their report to IDBI and IDBI is examining the report.

Once the financial institutions release the required funds and the compensation payable to Chennai Petroleum Corporation Limited as per the Memorandum of Settlement is settled and the stay by the Madras High Court is vacated, the company will identify a strategic partner to invest in the project. The company is hopeful that the project will be implemented once the above issues are resolved.

The updated figures as on 30.09.2002 are Advances against Equity of Rs.15075.72 lakhs, Inter Corporate Deposits of Rs 8190.74 lakhs and interest of Rs.33258.89 lakhs accrued on both.

(ii) Auditors qualification: "There is non-recognition of the interim downward revision of consumption norms for Urea of Rs.20188.86 lacs, on which we are unable to express an opinion, pending implementation and quantification of the policy parameters / norms for the VII & VIII pricing periods covering from 01.07.1997 onwards".

Board's Comment: "During the current period the company has received a circular dated 12th August, 2002 revising the retention price of Urea for the above pricing periods based on the new policy parameters.

The auditors in their limited review report on these unaudited financial results for the six months period ended 30.9.2002 have stated as follows:

On the basis of the letter dated 4th June 2002 from the Government of India setting out the policy parameters for the VII and VIII pricing periods from 1st July 1997 onwards, the company received a circular dated 12th August 2002 revising the retention price of urea retrospectively for the period 1st July 1997 onwards. The company opines that some of the policy parameters such as date of reckoning capital additions, retrospective withdrawal of vintage allowance for old plants, reassessment of production capacities etc cannot be amended retrospectively. Consequently, it has reworked the subsidy entitlement incorporating the above parameters which has resulted in an accrual of estimated subsidy income of Rs 3373.08 lacs during the current six month period. The total estimated additional subsidy receivable upto 30th September 2002 based on the above reworkings and already accrued in the books is Rs.39857.12 lacs (including Rs 36484.04 lacs accrued prior to 31st March 2002). As the Company intends to take up the above issues in a phased manner with the Government and is hopeful of succeeding and recovering the said amount, no provision for doubtful recoverables has been made for the above referred subsidy of Rs.39857.12 lacs. Had the subsidy of Rs.3373.08 lacs not been taken to income in the current period, the loss for the period would have been higher and Loans and advances and Reserves & Surplus lower to that extent. Pending making of the claim and the uncertainty involved in its acceptance by the Government, we are unable to express an opinion on the recoverability of the above referred subsidy of Rs 39857.12 lacs.

Board's Comment: The company is pursuing the matter with the Government and is hopeful of recovering the above outstanding subsidy.

(iii) Auditors qualification "The Company has been following the accounting policy of capitalizing borrowing costs on advances given to a company promoted by it which is to be adjusted eventually against equity to be issued by that company. Consequent to the Accounting Standard - 16 Borrowing Costs, which has been made mandatory with effect from 1st April, 2000 such borrowing costs cannot be capitalized. During the year interest of Rs.4846.86 lacs (previous year Rs.5726.45 lacs) has been capitalized as part of the carrying amount of such advances. Had the Accounting Standard been followed and such interest not been capitalized but charged to the profit and loss account the interest and financial charges and loss for the year would have been higher to that extent and loans and advances and general reserve would have been lower by Rs.10573.31 lacs".

Board's Comment: This treatment is in accordance with the policy being consistently followed by the Company over the years in respect of those companies promoted by it and where it has an effective control over the operations of the investee company.

During the current quarter interest of Rs. 1019.37 lacs and Rs. 2038.65 lacs for the half year ended 30th September 2002 has been capitalised as part of the carrying amount of such advances.

(d) The above results were taken on record by the Board at its meeting held on 31st October, 2002.

For and on behalf of the Board

31st October, 2002

Finance Director

Tuticorin