

34th

**ANNUAL REPORT
2018-19**

- In the support of Green Initiative in Corporate Governance, members are requested to register their e-mail address(es) and changes therein from time to time, by directly sending the relevant e-mail address along with details of name, address, Folio No., shares held:
 - i) To the registrar and share transfer agent, M/s Skyline Financial Services Pvt. Ltd. or Company for shares held in physical form / Demat;Upon registration of the email address (es), the Company proposes to send Notices, Annual Report and such other documents to those Members via electronic mode/e-mail.
- SEBI vide circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 has mandated the submission of copy of Permanent Account Number (PAN) by every participant in securities market. Therefore, members are requested to submit copy of their PAN and bank account details (original cancelled cheque leaf/attested bank passbook showing name of account holder) to Company/Skyline.





BOARD OF DIRECTORS

Mr. G.N. Gupta, Chairman/Independent Director
Mr. Ashok Kumar Matanhelia, Managing Director
Mr. Somil Matanhelia, Whole time Director
Mr. Shobhit Matanhelia, Whole time Director
Mrs. Usha Matanhelia, Women Director
Mr. Anurag Tulsyan, Independent Director
Mr. Sunil Kedia, Independent Director

STATUTORY AUDITORS

M/s Rajeev Prem & Associates
Chartered Accountants
Kanpur

COST AUDITOR

M/s K.S. Bhatnagar and Associates
Cost Accountant
New Delhi

INTERNAL AUDITOR

M/s Agrawal Saraf and Company
Chartered Accountant
Gorakhpur

REGISTERED OFFICE

Flat No. 202, Preet Garden,
3A/172, Azad Nagar,
Kanpur-208 002

ADMINISTRATIVE OFFICE

PWD Officer's Colony
Near Sahara Press
7, Park Road
Gorakhpur - 273001

FACTORY

Deokahia - Sardarnagar
Gorakhpur (U.P.)-273202

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**34th Annual General Meeting
scheduled to be held
on Saturday, 10th Aug, 2019
at
The Bridge Hotel
84/78, Grand Trunk Road, Anwarganj
Jareeb Chowki, Kanpur-208003
at 02.30 P.M.**

BANKERS :

- HDFC Bank Limited
- State Bank of India



MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry structure and developments:

Fertilizers enhance growth of plants by supplying crucial nutrients to them. Some of the essential nutrients required by plants are:

Straight Fertilizer : N-Nitrogen, P-Phosphorous, K-Potassium

Secondary Fertilizers: CA-Calcium, Mg-Magnesium and S-sulphur

Micronutrients- Cu-Copper, Fe- Iron, Mn- Manganese, Zn- Zinc, B-Boron etc.

Nitrogen, phosphorus, potassium (NPK) are three major constituents of fertilizers. Nitrogen helps in leaf growth, Phosphorous helps in development of roots, flowers, seeds and fruits and potassium helps in strong stem growth, movement of water in plants and promotion of flowering and fruiting.

India has good reserves of phosphate rocks, which can be processed to give water soluble phosphatic fertilizers. Single Super Phosphate is a cheap fertilizer and also known as common farmer's fertilizer.

Single super phosphate (SSP) manufactured by carrying out reaction of rock phosphate with Sulphuric acid for converting non-soluble phosphate (present in rock phosphate) into water soluble which is called single super phosphate. It contains 14.5-16% water soluble phosphorous, 10-11% sulphur and 18-21% Calcium. **Straight Phosphatic 16% P₂O₅ Grade**

Company was started its manufacturing unit of single super phosphate (powder plant) in 1992 while single super phosphate (Granulated plant) in 1993 with a capacity of 66000MT and Sulphuric Acid in 1993 with a capacity of 33000MT which is used for the production of SSP, in Village devkahiya, block Sardar Nagar, tehsil chorichura, Gorakhpur, Uttar Pradesh. Company has also installed a Micronutrients plant in the name and style of Asian Fertilizers Ltd. (Micro Nutrient Division) in 2012 to produce Micronutrient like Zinc Sulphate, Magnesium Sulphate, ferrous Sulphate, Zyme, and Bio-fertilizer.

Earlier Company have a marketing arrangement with DCM Shriram for selling of fertilizer product (SSP) with their brand name but due to change in government policies, company has discontinued the marketing arrangement with DCM Shriram and started its own marketing, with its own Brand name "PASHUPATI". The response of market in our brand is satisfactory.

2. Opportunities and Threats:

Since agriculture sector has its own importance in Indian economy, it is bound to grow and our product SSP has also its own importance in Agriculture sector.

Govt. of India has emphasized to promote SSP to fulfill the demand of phosphatic fertilizers.

3. Segment-wise or product-wise performance:

Single Super phosphate : Company is produce single super phosphate in two categories one is powder and second is granule. Company is able to achieve production of 27, 098.41 MT of Green SSP during the year 2018-19 against the targeted production of 66,000 MT which is 41.06% of the targeted production and 41.06% of the installed capacity of 66,000 MT. Company has dispatched 27, 216 MT during the year. In quantum wise production of SSP has increased during the year.

Sulphuric Acid : Company has produce the Sulphuric acid for the captive consumptions and the excess quantity of Acid sold by Company. Company is able to achieve the production of 35,115.88



MT of the Sulphuric acid during the year 2018-19 against the installed capacity of 33,000 MT which is 106.41% of the installed capacity. The captive consumption of the Sulphuric Acid for production of SSP is 6,565.64 MT and the sale of Sulphuric Acid was 28,858.21 MT. While in quantum wise production of Sulphuric acid has increased during the year.

Micro Nutrients :

Company has produced multiple product in Micro Nutrients Division. Product wise performance of the Micro Nutrients are as follows with comparative study :

S. No.	Product	Production (MT)		Sale (MT)	
		2018-19	2017-18	2018-19	2017-18
1	Maxo Zyme	-	-	32.01	-
2	Ferrous Sulphate	-	-	-	21.00
3	Mono	-	-	-	-
4	Magnesium Sulphate	-	-	162.03	647.36
5	Zinc Sulphate	-	-	91.23	58.00

4. Outlook :

Agriculture has been playing vital role in Indian economy with its contribution to GDP, around 49% of Indian population is still dependent on agriculture and its allied activities for their livelihood. The growth rate in agriculture has been fluctuating and these uncertainties/ fluctuations in growth rate can be attributed to over dependence on rains (around 60% of agriculture is still rainfall dependent). One of the vital industries in Indian economy is the fertilizer industry which serves as a very crucial raw material for agriculture. Fertilizer, alone accounts for large subsidy, the second highest after food. Owing to poor monsoons in last two years and low commodity prices, there was slowdown in the fertilizer sector. Currently, this sector is showing strong signs of revival owing to good monsoon last years and reforms taken by government.

5. Risks and concerns :

(a) Government Policy :

This sector was operated in a highly regulated environment with cost of production and selling prices being regulated by the Government of India. Due to this reason, fertilizer industry suffered from low profitability as compared to other sectors. Govt. imposed several regulations on prices, subsidies, import etc.

There have been changes in regulations, subsidy structure from time to time creating confusion and uncertainty among producers. In past years, govt. has decontrolled DAP, MOP, complex fertilizers and SSP which will stimulate growth of this industry and thereby ensure adequate supply of essential fertilizers to farmers.

Subsidy for P&K fertilizers is fixed and not varies with market prices. Govt. does not regulate import of DAP and MOP as it does for Urea. Govt. has decontrolled prices of P&K fertilizers, MRP is left open to manufactures to decide and so domestic prices are decided by demand and supply. P&K fertilizers are less regulated compared to Urea, therefore P&K fertilizer producers can optimize operation, improve supply chain and



product mix to earn better profits.

Considering all the issues relating to agriculture productivity, balanced fertilization, growth of indigenous fertilizer industry, competitiveness amongst the fertilizer companies and to overcome the deficiency of concession scheme, the Government introduced **Nutrient Based Subsidy (NBS) Policy** for P&K fertilizers with effective from 1.4.2010.

Under the NBS Policy, a fixed rate of subsidy (in Rs. per Kg basis) is announced on nutrients namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S) by the Government on annual basis which is decided based on international prices, exchange rates, inventory and prevailing MRP etc.

The Govt. of India has opened the MRP of SSP from 01/04/2011 and manufacturers are free to decide their rates upto a fixed limit.

(b) Development In Government Policy :

Investment required for setting up a SSP unit is modest compared to Nitrogenous fertilizers. The setup with indigenous technology depends on imported material because of non-availability of good quality of rock phosphate except Rajasthan State Mines & Minerals Limited, a State Govt. Undertaking. The demand of fertilizers is likely to increase with the emphasis by the Govt. on augmenting agriculture produce. The Govt. of India has notified that Imported Rock Phosphate from some countries to use in production of SSP for competitive Production cost.

(c) Availability of Raw Material :

Rock Phosphate is imported from various country by different dealers. There is no problem in availability of Raw Material.

(d) Subsidy on SSP :

The Govt. of India has introduced nutrient based subsidy policy for all types of fertilizers including SSP. The Govt. of India fixed subsidy for whole year & for the reporting year subsidy was Rs. 2,734/- MT.

6. Internal control systems and their adequacy :

In any industry, the processes and internal control systems play a critical role in the health of the Company. The Company's well defined organizational structure, documented policy guidelines, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Moreover, the Company continuously upgrades these systems in line with the best available practices. The internal control system is supplemented by extensive internal audits, regular reviews by the management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

7. Discussion on financial performance with respect to operational performance :

The highlights of the company's performance for the year ended March 31, 2019 are as under :



Revenue from operation increased by 147.22% to Rs. 4766.89 Lakhs.
PBDIT increased by 226.02% to Rs. 445.86 Lakhs
Profit before tax increased by 796.48% to Rs. 228.35 Lakhs.
Net profit increased by 588.92% to Rs. 154.18 Lakhs.

8. Material developments in Human Resources / Industrial Relations front, including number of people employed :

Asian Fertilizers Limited is a knowledge-driven organization focused on judicious people recruitment and retention. The Company's HR function focuses on employee training, values inculcation and enhanced functional expertise. The Company's key HR objective is to ensure that employees are aware of expected roles leading to organizational momentum. The top management conducted several discussions with employees to discuss multiple issues including leadership qualities, values, responsibilities, workplace freedom and empowered decision-making. Going ahead, the Company will continue to invest in people to strengthen its production processes, product quality and service delivery. During the year under report, the Company also focused on the automation of key HR processes for employee benefit. The result of these initiatives was that the Company was able to keep its attrition levels well under control, much below the industry average. The company's head count stood at 29 as on 31st March 2019.

For and on behalf of the Board of Directors of

Place: Gorakhpur
Date: 18/05/2019

Asian Fertilizers Limited

Sd/-
Ashok Kumar Matanhelia
Managing Director
DIN: 01763776
789, Ajay Khand,
Patrakar Puram,
Rapti Nagar,
Gorakhpur

Asian Fertilizers Limited

Sd/-
Somil Matanhelia
Whole Time Director
DIN : 01738413
789, Ajay Khand,
Patrakar Puram,
Rapti Nagar,
Gorakhpur



DIRECTOR'S REPORT

Dear Member,

Your Directors are pleased to present the 34th Annual Report and the Company's Audited financial statement for the financial year ended March 31, 2019.

1. FINANCIAL RESULTS:

The Company's financial performance, for the year ended March 31, 2019 is summarized below :

PARTICULARS	(Rs in Lacs) 2018-2019	(Rs in Lacs) 2017-2018
Revenue from Operation	4766.89	3238.03
Other Income	47.26	57.72
Total Expenditure	4585.80	3267.08
Profit before Interest, Depreciation Prior Period Items and Tax (PBIDT)	445.86	197.27
Less : Finance Costs	173.68	128.69
Less: Depreciation and Amortization	43.83	39.91
Profit Before Exceptional/Prior Period Items and Tax	228.35	28.67
Less: Exceptional/Prior Period Items (Net)	0	0
Profit Before Taxes (PBT)	228.35	28.67
Less: Tax Expense (Net)	74.17	2.49
Profit for the year (PAT)	154.18	26.18

FINANCIAL HIGHLIGHTS AND STATE OF COMPANY'S AFFAIRS:

The turnover of the Company was Rs. 4766.89 lakhs for the year ended March 31, 2019, an increase of 147.21% as compared to Rs. 3238.03 lakhs in the previous year. The company's Profit from Operations for the year ended March 31, 2019 was Rs. 154.18 lakhs, an increase of 588.92%, as compared to Rs. 26.18 lakhs in the previous year.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT:

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 read with Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), is presented in a separate section forming part of the Annual Report.

3. DIVIDEND:

In order to conserve the resources of the Company the Board of directors has decided not to declare any dividend for the financial year 2018-19.

4. AMOUNTS TRANSFERRED TO RESERVES:

The Board discussed and decide to transfer the profit of the year in reserves account.

5. EXTRACT OF ANNUAL RETURN:

The extract of Annual Return, in format MGT-9, for the financial year 2018-2019 is annexed with this report as "ANNEXURE -I".

6. NUMBER OF BOARD MEETING:

Six meetings of the Board of Directors were held during the year as on 18/05/2018, 31/05/2018, 13/08/2018, 29/09/2018, 03/11/2018 and 08/02/2019.



S. No.	Name of Director	Designation	No. of Meeting Held	No. of Meeting Attended
1.	Mr. Gyanendra Nath Gupta	Chairman/ Independent Director	6	4
2.	Mr. Ashok Kumar Matanhelia	Managing Director	6	6
3.	Mr. Somil Matanhelia	Whole Time Director	6	6
4.	Mr. Shobhit Matanhelia	Whole Time Director	6	6
5.	Mr. Anurag Tulsyan	Independent Director	6	4
6.	Mrs. Usha Matanhelia	Women Director	6	4
7.	Mr. Sunil Kedia	Independent Director	6	3

The gap between any of the two Board Meetings did not exceed more than four months.

Leave of absence was granted to the non-attending directors on their request and noted in the attendance register as well as in the minutes of the meetings.

7. ANNUAL GENERAL MEETING:

The Annual general meeting of the Company for the financial year 2017-18 was held on 29/09/2018.

8. RELATED PARTY CONTRACT AND ARRANGEMENT OF THE COMPANY:

All the related party transactions that were entered during the financial year 2018-19 were in the ordinary course of business of the Company and were on an arm's length basis. There were no materially significant related party transactions entered by the Company with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Company.

All such Related Party Transactions are placed before the Audit Committee for approval, wherever applicable. Prior omnibus approval is obtained for the transactions which are foreseen and repetitive in nature. A statement of all related party transactions is presented before the Audit Committee on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

The policy on dealing with Related Party Transactions has been framed by the Board of Directors with the prior approval of the Audit Committee.

All related party transactions entered by the Company were in the ordinary course of business and were on an arm's length basis, form AOC-2 is annexed with this report as "ANNEXURE II" to the Director's Report.

The details of the transactions with Related Party are provided in the accompanying financial statements.

9. AUDITORS & AUDITORS' REPORT:

(a) Statutory Auditors & Audit Report:

Pursuant to provisions of Section 139 of the Act and Rules made thereunder, M/s. Rajeev Prem & Associates, Chartered Accountants, Kanpur (FRN:008905C) were appointed as the statutory Auditor of the Company for a term of 5 years to hold office from the conclusion of the 33rd Annual General Meeting of the Company held on September 29, 2018 till the conclusion of 38th Annual General Meeting to be held in the year 2023.



They have confirmed that they are not disqualified from continuing as Auditors of the Company. M/s. Rajeev Prem & Associates, Chartered Accountants, Kanpur submitted their report for the financial year ended March 31, 2019. The observations of the auditors are explained wherever necessary in appropriate notes to the accounts. Also, there is no adverse comment in the Auditor's Report.

(b) Secretarial Auditor & Secretarial Audit Report:

The Board, on recommendation made by the Audit Committee, had appointed Mr. Awashesh Dixit, Practicing Company Secretary, Kanpur to conduct Secretarial Audit for the F.Y. 2018-19. The Secretarial Audit Report for the financial year ended March 31, 2018 is annexed with this report as "ANNEXURE III" to this Report. The Secretarial Audit report contains few qualification, reservation, adverse remarks or disclaimer.

Replies of qualification marks in Secretarial Audit Report are as follows :

- i. *The 100% shareholding (including promoters) in the company are in physical form, however the company has entered into an tripartite agreement with the RTA and CDSL & NSDL and the same is in process of demat;*
The demat of the shares of the company are in process for which the company is maintaining the physical database to be supplied to the RTA which was destroyed due to termite.
- ii. *Financial Results for the quarter ended September, 2018 to be published in news paper in terms of regulation 47 of Listing Regulations has not been published.*
Due to some communication error with the Newspaper agency the same could not be published.
- iii. *Two Form MGT-14 is pending for filing;*
The form MGT-14 as mentioned in the observation, relates to the borrowings from time to time for which a separate form MGT-14 had been filed earlier with an aggregate limit. However the observation has been noted with remedial action.

(c) Cost Auditor :

M/s K.S. Bhatangar and Associates, cost Accountants was appointed as the cost Auditor of the Company for the financial year ended March 31, 2019 to conduct the audit of Cost records of the Company. They have been re-appointed as the Cost Auditor of the Company for the financial year ending of March 31, 2020. Pursuant to provisions of section 148(3) of the Act read with Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to Cost Auditors has to be ratified by the Members of the Company. Accordingly, the Board seeks ratification at the ensuing Annual General Meeting of the remuneration payable to the Cost Auditor for the financial year ending on March 31, 2020.

10. PARTICULARS OF LOANS, GUARANTEES & INVESTMENTS UNDER SECTION 186 :

The Particulars of loans, Guarantees & Investments U/S 186, in format MBP-2, for the financial year 2018-2019 has been annexed with this report as "ANNEXURE -IV".

11. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION :

The Company would like to inform that no material changes and commitments affecting the financial position of the Company have occurred during the period from the end of financial Year till the date of this report.



12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

a) Conservation of Energy

Since the operations of the Company are not energy intensive, therefore it does not call for any steps to be taken.

Therefore clause (i), (ii) & (iii) of Rule 8 are not applicable.

b) Technology Absorption

The Company has not imported any specific technology for its operations which are not updated in India.

c) Foreign Exchange Earnings and Outgo

Foreign Exchange Earning :- NIL

Foreign Exchange Outgo: \$ 7,46,400/-

13. RISK MANAGEMENT POLICY AND IDENTIFICATION OF KEY RISKS :

The Company would like to inform that the risks which threaten the existence of the Company have been identified and accordingly a risk management framework has been created and adopted by the Company. Further the internal auditor of the Company has been casted with the responsibility of monitoring this framework and reports to the management the key risks affecting the business.

14. DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP) :

a. Appointment of Director and Key Managerial Personnel:

Mrs. Kunika Meghani, was appointed as Company Secretary of the Company w.e.f. 18/05/2018 However, she resigned from the post of Company Secretary of the Company w.e.f. 13/08/2018.

Ms. Neha Sahu, was appointed as Company Secretary of the Company w.e.f. 13/08/2018.

Mr. S. S. Pandey, was resigned as Chief Financial Officer (CFO) of the Company w.e.f. 13/08/2018.

Mr. Shashi Srivastava, was appointed as Chief Financial Officer (CFO) of the Company w.e.f. 13/08/2018.

Mr. Shobhit Matanhelia has reappointed as Whole Time Director of the Company w.e.f. 01/01/2019 by the members at Annual General Meeting of the Company held on 29/09/2018.

No other director/s or KMP/s have been appointed or retired or resigned during the financial year 2018-19.

b. Retirement by Rotation:

Mr. Somil Matanhelia, Whole Time Director, is liable to retire by rotation and being eligible offer himself for re-appointment in the ensuing AGM.

The brief resume of Mr. Somil Matanhelia, Whole Time Director of the Company, retiring by rotation but seeking re-appointment at the ensuing Annual General Meeting, is the part of Annual Report (Please see notes of AGM Notice).

15. INTERNAL FINANCIAL CONTROLS:

The existing internal financial control system is adequate and commensurate with the nature and size of the business of the Company. The internal auditors of the Company keep a follow up on the internal financial reporting and information dissemination of the Company between the departments. The Audit committee of the Company interacts from time to time with the internal auditors of the Company regarding the adequacy of internal financial control system placed in the Company.