



CHAMBAL FERTILISERS
AND CHEMICALS LIMITED

Annual Report 2015-16



Sowing the Seeds of
Fertiliser Security in India

Chambal Setting Up 1.34 Million MT Urea Plant

DIRECTORS

S.K. Poddar
Chairman

Shyam S. Bhartia
Co-Chairman

Anil Kapoor
Managing Director

K.N. Memani

Aditya Narayan

C. S. Nopany

Radha Singh

Marco Wadia

SECRETARY

Rajveer Singh

SENIOR EXECUTIVES

Abhay Baijal
Chief Financial Officer

A.K. Bhargava
Vice President - Works

V.K. Gupta
Vice President - Marketing

K. Satishchandra
Executive President -
India Steamship

AUDITORS

S.R. Batliboi & Co. LLP
Chartered Accountants

BRANCH AUDITORS

Singhi & Co.
Chartered Accountants

COST AUDITORS

K.G. Goyal & Associates

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 31st Annual Report on the business and operations of the Company together with audited accounts for the financial year ended March 31, 2016.

1. Financial Results and Appropriations

(Rs. in crore)		
Particulars	2015-16	2014-15
(a) Turnover (excluding excise duty)	9535.86	8868.05
(b) Gross Profit after Finance Cost but before Exceptional Items, Depreciation and Tax	776.67	680.46
(c) Depreciation / Amortization	160.38	173.32
(d) Profit before Exceptional Items and Tax	616.29	507.14
(e) Exceptional Items	(370.05)	(107.02)
(f) Profit before Tax	246.24	400.12
(g) Provision for Current Tax	188.57	148.56
(h) Provision for Deferred Tax Charge / (Credit)	(28.63)	14.78
(i) Profit after Tax	86.30	236.78
(j) Balance of Profit Brought Forward	1482.89	1390.86
(k) Profit available for Appropriation	1569.19	1627.64
(l) Appropriations:		
• General Reserve	-	50.00
• Proposed Dividend on Equity Shares	79.08	79.08
• Tax on Dividend	16.10	16.10
• Proposed Dividend on Equity Shares held by Trust	-	(0.43)
• Reversal of Dividend on Equity Shares held by Trust related to earlier years	1.73	-
• Saving on payment of Dividend Distribution Tax	(0.96)	-
(m) Balance Carried Forward to Balance Sheet	1473.24	1482.89

2. Operations

The Company has two business segments viz. Fertilisers and other Agri-inputs and Shipping. During the year under review, the Company has completed the sale of its textile business i.e. Birla Textile Mills to Sutlej Textiles and Industries Limited as a going concern on slump sale basis with effect from April 1, 2015. The Fertiliser and other Agri-inputs Division registered an increase in the turnover mainly on account of higher sales of products like imported fertilisers and own manufactured Single Super Phosphate. The traded products continued to make significant contribution to the bottom-line of the Company. The Shipping Division has also registered higher turnover mainly on account of better realisations from own vessels and achieved much better performance in comparison to previous year.

During the year under review, your Company has decided to set up new Urea plant at Gadepan for production of 1.34 Million MT of Urea per annum at a cost of approximately USD 900 Million ("Gadepan – III Project"). The Company has awarded contracts to Toyo Engineering Corporation, Japan and Toyo Engineering India Pvt. Limited, India for implementation of Gadepan – III Project. The Company has fully tied up the debt portion of the cost of Gadepan – III Project and the aforesaid contractors have started implementation of Gadepan – III Project. The commercial production of Urea from Gadepan – III Project is scheduled to start in January 2019. This project will be a stepping stone in the journey of growth of your Company as there will be an increase of about 63% in the present Urea production capacity of the Company.

The Approval of the shareholders of the Company was taken during the year for sale of one or more than one or all five ships/ vessels or the entire shipping business of the Company.

During the year under review, the Company has made a provision of Rs. 296.19 Crore on account of impairment in the value of its investment in CFCL Technologies Limited, Cayman Islands, a subsidiary of the Company. In addition to this, the Company has made a provision for impairment loss of Rs. 111.99 Crore as a result of sale transaction of the vessel - Ratna Puja. In view of this, the Profit after Tax during the year under review was much lower in comparison to the previous year.

The detailed information on the business segments of the Company and the respective industries are given in the Management Discussion and Analysis Report attached as Annexure "A" to this report.

3. Dividend

The Board recommends dividend @ Rs. 1.90 per equity share of Rs. 10 each (Previous Year – Rs. 1.90 per equity share) for the financial year ended March 31, 2016. The total outgo on this account will be Rs. 95.18 crore including dividend distribution tax.

4. 'Corporate Governance Report' and Code of Conduct

Your Company is committed to maintain highest standards of Corporate Governance and strives to improve the corporate governance standards and practices. Corporate Governance Report for the Financial Year 2015-16 is attached as Annexure "B". The declaration of the Managing Director confirming compliance with the 'Code of Conduct and Ethics' is enclosed as Annexure "C" and Auditors' Certificate confirming compliance with the conditions of Corporate Governance is enclosed as Annexure "D".

5. Joint Venture : Indo Maroc Phosphore S. A., Morocco (IMACID)

IMACID is a joint venture of your Company with Tata Chemicals Limited and OCP, Morocco with equal stake of each partner. IMACID is engaged in the manufacture of phosphoric acid in Morocco.

During the year 2015, IMACID achieved revenue of Moroccan Dirham (MAD) 2777.42 million (Rs. 18527.70 million) against revenue of MAD 2376.30 million (Rs. 16,686.12 million) achieved during the year 2014. The profit after tax of IMACID was MAD 194.01 million (Rs. 1,294.21 million) during the year as against MAD 90.09 million (Rs. 632.20 million) in the year 2014.

During the quarter ended March 31, 2016, IMACID achieved operating income of MAD 419.22 million (Rs. 2861.75 million).

The financial position of IMACID as at December 31, 2015 was as under:

Share Capital - MAD 620 million (Rs. 4,135.92 million)

Total Assets - MAD 1266.18 million (Rs. 8446.47 million)

Reserves and Surplus - MAD 256.09 million (Rs. 1708.33 million)

Total Liabilities - MAD 1266.18 million (Rs. 8446.47 million)

Investments - NIL

6. Subsidiaries

(i) Chambal Infrastructure Ventures Limited and its Subsidiaries

Chambal Infrastructure Ventures Limited ("CIVL") is a wholly owned subsidiary of your Company which was incorporated to pursue the business opportunities in Power sector. CIVL had established two down-stream wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Limited ("CECL") and Chambal Energy (Orissa) Limited ("CEOL"). The Hon'ble High Court of Delhi has granted its sanction to the scheme of amalgamation of CECL and CEOL with CIVL. The order of the Hon'ble High Court has been filed by the aforesaid companies with the concerned Registrar of Companies. Accordingly, CECL and CEOL stand amalgamated with CIVL with effect from the appointed date of April 1, 2015.

The new site for CIVL's power project in Odisha has been approved by the Government of Odisha and the matter is being pursued with the concerned authorities for renewal of Memorandum of Understanding for setting up power project.

(ii) CFCL Technologies Limited, Cayman Islands and its Subsidiaries

CFCL Technologies Limited, a subsidiary of the Company, operates business through its step-down subsidiaries mainly in USA and India. ISGN Corporation, USA is a wholly owned subsidiary of CFCL Technologies Limited. ISGN Solutions Inc., USA is a wholly owned subsidiary of ISGN Corporation, USA. ISGN Corporation is engaged in designing, developing, marketing and distribution of software products for mortgage lending industry in USA. ISGN Solutions Inc. is mainly engaged in providing loan fulfillment solutions in USA such as closing and settlement services, valuation services, mortgage processing services, vendor management solutions for residential mortgage lenders, etc. These businesses are being supported by ISG Novasoft Technologies Limited, India (a downstream subsidiary of CFCL Technologies Limited) through its centres in India.

The decline in the performance of Software Business continued in the Year 2015 due to the mortgage market seeing significant dip in business volumes across the industry. Considering the market scenario, financial condition and future prospects, ISGN Corporation, USA has entered into a stock purchase agreement on January 28, 2016 for sale and transfer of its entire shareholding in ISGN Solutions, Inc., USA to Firstsource Group USA, Inc., USA for a sale consideration of USD 12.56 million (subject to closing and other adjustments). The shareholders of the Company has approved the aforesaid transaction through postal ballot on May 3, 2016. On completion of the transaction, ISGN Solutions, Inc. and its two subsidiaries viz. ISGN Fulfillment Services Inc., USA and ISGN Fulfillment Agency LLC, USA will cease to be subsidiaries of the Company.

Further, ISG Novasoft Technologies Limited has signed an agreement on January 28, 2016 for sale of its Business process outsourcing business to Firstsource Process Management Services Limited, India on slump sale basis at a consideration of Rs. 3 crore.

The aforesaid transactions are expected to be completed by end of May 2016.

(iii) India Steamship Pte. Limited, Singapore

India Steamship Pte. Limited, Singapore is a wholly owned subsidiary of your Company and it has operated during the year by in-chartering the vessels.

(iv) India Steamship International FZE, UAE

India Steamship International FZE, UAE ("ISS, UAE") was a wholly owned subsidiary of India Steamship Pte. Limited, Singapore. During the year, your Company had acquired entire shareholding of ISS, UAE from India Steamship Pte. Limited, Singapore. Consequently, ISS, UAE became direct subsidiary of your Company. ISS, UAE has commenced the in-chartering of ships during second half of the Financial Year 2015-16.

(v) India Steamship Limited, India

India Steamship Limited is a wholly owned subsidiary of your Company. There was no business activity in this subsidiary during the year under review.

The four downstream subsidiaries of the Company, namely Richmond Title Services, LP, USA, Richmond Title Genpar, LLC, USA, Richmond Investors, LLC, USA and ISGN Fulfillment Services Inc., Arizona, USA were dissolved during the year under review.

Save and except as mentioned above, no other subsidiary, associate or joint venture have been acquired/ included or ceased during the year under review.

The performance and financial position of the subsidiaries of the Company is summarized in Form AOC - 1 attached to the Financial Statements of the Company in pursuance of Section 129 of the Companies Act, 2013. The Company shall place the audited financial statements of its subsidiaries on its website in pursuance of Section 136 of the Companies Act, 2013 and shall provide a copy of these statements to any shareholder seeking it. These documents will also be available for inspection by members during business hours at the registered office of the Company at Gadepan, Dist. Kota, Rajasthan.

7. Health, Safety, Quality and Environmental Protection

Your Company gives highest priority to Environment Protection and Safety with a well-defined Environment, Health and Safety ("EHS") policy. The adherence to EHS policy is continuously monitored by senior management through regular reviews.

Your Company has established, on a sustainable basis, an Integrated Management System based on OHSAS-18001:2007, ISO-14001:2004 and ISO-9001:2008. It has also adopted Process Safety Management and guidelines of British Safety Council. Your Company has achieved the mile-stone of Zero reportable accident during the financial year 2015-16.

The details of various activities and achievements of the Company in this regard are as under:

(a) Health & Hygiene

There is a strong focus on health assessment and occupational disease monitoring of employees and associates through periodic medical examinations and hygiene monitoring at work place. Apart from two full time Doctors and trained nursing staff, specialist doctors like child specialist, Eye specialist, dental surgeon, Gynecologist, ENT surgeon, etc. visit the Health Centre at Gadepan regularly. There are three ambulances available on round the clock basis at the plant location of the Company.

The Health Centre at Gadepan provides its services round the clock to employees, their families, contractor work force and villagers in the vicinity of the plants. For enhancing awareness towards health related matters, periodical training and awareness programs are organized through external experts.

(b) Safety Management

A robust occupational health and safety management system is in place in your Company at Gadepan to take care of all the employees, contractor workforce as well as equipment and machinery. Effective implementation of the safety system is ensured through Hazard identification, risk assessment & mitigation procedures, safety work permit system, etc. Before executing any maintenance job in the plant, a cross functional team of senior management members review the jobs on a daily basis from a safety perspective to ensure that all recommended actions to prevent hazards are taken.

The extensive trainings and drills were conducted by internal and external experts on rescue, work at height, working inside confined space, fire-fighting, emergency handling, electrical safety, material handling, road safety, use of Breathing Air sets, etc. To encourage safety awareness and involvement among employees and contractor workforce, scheme of "Near-Miss" & "Make-to Good" reporting is in place in the fertiliser plants.

In order to create more awareness on Safety & Environment, various programmes were organized throughout the year like, National Safety Week, Road Safety Week, Fire Services Day, World Environment Day, etc. involving employees, their families and contractor workforce.

Your Company has a well-defined "Onsite Disaster Management Plan" and MARG (Mutual Aid and Response Group) arrangement with neighboring industry. Regular mock drills, fire drills and table top drills were conducted to verify emergency preparedness. Prompt fire-fighting services were provided to villages surrounding Gadepan plants. As a part of safety improvement initiative, online monitoring and reporting system - Uttam Suraksha Setu is in place.

(c) Environment Management

Your Company is conscious of its responsibility towards environment protection. This has led to an increasing focus over the years on reduction of environmental impact with respect to natural resource consumption (including raw materials, fuels and water), waste generation and emissions to the atmosphere. Your Company has taken concrete steps to achieve zero liquid effluent discharge after implementation of Gadepan - III Project.

Investors, suppliers, customers, local communities as well as government and regulatory agencies are vital stakeholders in our efforts towards green manufacturing. Your Company has a robust mechanism in place to ensure that all environmental parameters are maintained within the permissible limits. A dedicated Environment Management Cell is in place at Gadepan to monitor the environmental compliances.

The Company's Gadepan complex made a positive change in ecology due to development of a dense green belt / forest comprising of variety of fruits and shrubs. This has provided a soothing & healthy environment for people to live and work and habitat to many species of birds. Only treated waste water is used in maintaining the green belt through irrigation network spread all over the Gadepan complex.

(d) Quality Management

Your Company is ISO 9001:2008 certified and maintains high quality of product and processes. The quality assurance is ensured at all stages of manufacturing processes, maintenance and support services. Quality reviews are regularly conducted and feedback from end users (farmers) is accorded utmost importance. Sophisticated instruments are in place for monitoring of critical quality parameters.

(e) Achievements

Your Company regularly participates in national and international benchmarking surveys and awards for independent assessment and opportunity for continual improvement. Your Company has received following awards during the year under review:

- Environmental Protection Award (Winner) in the SSP Fertiliser Plants Category for the year 2014-15 from Fertiliser Association of India.
- "Rajasthan Energy Conservation Award-2015" by Govt. of Rajasthan, Department of Energy, Jaipur.

8. Corporate Social Responsibility ("CSR")

Your Company is conscious of its responsibility towards its stakeholders including the community at large and makes continuous efforts to contribute to their well-being. Your Company has taken several initiatives for sustainable development of rural community in the vicinity of its plants in partnership with local administration at Village, Block and District level.

The Company has made meaningful impact in the areas of education, healthcare, infrastructure development, soil health and skill development through its CSR programmes / projects. The CSR programmes / project of the Company are implemented directly as well as through KK Birla Memorial Society (KKBMS) and other Non-Governmental Organisations which are engaged in specific areas.

The major highlights of the CSR projects/ programmes of the Company during the Financial Year 2015-16 are as under:

a) School Education

The education is a flagship programme of the CSR activities of the Company. The Company is creating an impact in the lives of the children and youths by extending supports from pre-school education to job oriented courses at Industrial Training Institutes.

The Company has adopted 31 Balwadis in 26 villages of District Kota in partnership with Pratham Education Foundation. The Balwadis play an important role in preparing the children for pre-primary education. As a part of its CSR initiative, your Company has adopted 7 more schools during the year taking the total number of adopted schools to 39 Government Primary, Upper Primary, Secondary and Senior Secondary Schools in 26 villages in the vicinity of its plants in Kota and Baran Districts of Rajasthan. The objective of this programme is to improve the education standards in these schools. Pratham Education Foundation, a renowned Non-Governmental Organisation has been engaged to improve the learning level of students from nursery to 8th standard. Kumar Classes – a coaching institute from Kota has been engaged for remedial education for students of secondary and senior secondary classes. A significant improvement has been observed in the learning level of students in these schools post adoption by the Company. The renovation of 6 adopted schools was carried out during the year. Further, girls toilets were constructed in 6 schools in Sultanpur Block. The Company also provided stationery, school bags, note books and winter wears to around 3500 students. Your Company is also imparting basic computer courses to rural students through its 4 Community Information Technology Centre's located in villages contiguous to its urea plants.

CFDAV School is being run in the Gadepan complex for Nursery to Class 10 students in collaboration with DAV Trust and Management Society. Around 64% students in CFDAV School are from adjoining rural areas.

b) Technical Education

The Company had adopted Industrial Training Institute (ITI) at Sangod and Sultanpur in 2011 and 2014 respectively under Public Private Partnership scheme ("PPP"). ITI Sangod has become one of the best institutions of Rajasthan and has received various accolades at state and national level. ASSOCHAM has awarded Gold Trophy to ITI, Sangod adjudging it as best ITI under PPP model category in India. During last 4 years, ITI Sangod has been able to achieve almost 100% placement of students in the Industry. To further strengthen the Company's commitment towards skill education, your Company has adopted Government ITIs at Jhalawar and Baran during the year under review. The renovation work of these ITIs is under progress. The senior employees of the Company are involved in the management of these ITIs and Company's engineers also take extra classes for students therein.

In addition to the above, your Company is running four vocational training centers in the villages near Gadepan. These centers are in operation in partnership with District Adult Education Association (supported by Jan Shikshan Sansthan). During the year, around 255 youths were trained in various skills.

c) Community Health Care

The Company provides free of charge healthcare in adjoining villages of Kota district and villages near Mussoorie (Uttarakhand) in collaboration with Manorama Devi Birla Charitable Trust. During the year under review, the Company has collaborated with the NGO - School Health Annual Report Programme (SHARP) to provide health services in the villages of Kota district.

d) Infrastructure Development

Your Company has continued to contribute towards village rural infrastructure development. During the year under review, the Company has constructed 8 cement concrete roads / pavements in the villages near Gadepan under PPP scheme. Construction of 5 basketball courts and 10 pathways were carried out in the adopted Government Schools.

e) Soil Health

The Company is running two state-of-the-art agriculture development laboratories in Agra and Kota. During the year under review, the Company has started operating a Mobile Soil Testing Van in Varanasi to facilitate farming community. This initiative has received accolades from the Prime Minister of India. Three soil testing vans operated by the Company reach to the farmlands deep into the rural area.

The composition of Corporate Social Responsibility Committee is given in the Corporate Governance Report. The details of the development and implementation of the Corporate Social Responsibility Policy and Annual Report on CSR activities as prescribed

under Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 which is annexed herewith as Annexure "E".

For the purpose of Section 135 of the Companies Act, 2013, the amount equivalent to 2% of the average net profits of the Company made during the immediately preceding three financial years works out to Rs. 8.45 crore. As against this, the Company spent Rs. 9.06 crore on CSR projects / programmes.

9. Directors and Key Managerial Personnel

(i) Directors

The Board consists of eight directors - seven non-executive directors including four independent directors and a Managing Director. Mr. Shyam S. Bhartia (DIN: 00010484) is due for retirement at the forthcoming Annual General Meeting and has offered himself for re-appointment.

Mr. Aditya Narayan (DIN 00012084), had been appointed as an Independent Director of the Company at the Annual General Meeting of the Company held on September 15, 2015 to hold office from April 01, 2015 for a term upto the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2018.

The Board of Directors at its meeting held on May 11, 2016 had re-appointed Mr. Anil Kapoor (DIN 00032299) as Managing Director of the Company for a period of 3 years with effect from February 16, 2017 and the Board commends the re-appointment of Mr. Anil Kapoor for approval of the shareholders.

During the year, the Managing Director has not received any commission or remuneration from any subsidiary of the Company.

All the Independent Directors have submitted declarations that they meet the criteria of independence as provided under Section 149 of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

The Board met six times during the Financial Year 2015-16.

Other information on the Directors and the Board Meetings is provided in the Report on Corporate Governance annexed to this Report as Annexure "B".

(ii) Key Managerial Personnel

Mr. M.S Rathore ceased to be Secretary of the Company with effect from May 01, 2015. The Board of Directors had appointed Mr. Rajveer Singh as Secretary of the Company and designated him as Key Managerial Personnel in such capacity, with effect from May 01, 2015.

10. Internal Financial Controls

The Company has policies and procedures in place for ensuring the orderly and efficient conduct of its business including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The details of internal control system are given in the Management Discussion and Analysis Report attached hereto as Annexure "A".

11. Remuneration Policy

The Remuneration Policy of the Company including criterion for determining qualifications, positive attributes, independence of Directors and other matters as prescribed under Section 178 of the Companies Act, 2013 and Listing Regulations is annexed to this Report as Annexure "F"

12. Disclosures under the Companies Act, 2013 and Rules thereunder

- a) Your Company has not issued any shares during the Financial Year 2015-16.
- b) No significant and material orders have been passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.
- c) All Related Party Transactions entered during the year were on arm's length basis. No material Related Party Transaction (transaction exceeding ten percent of the annual consolidated turnover of the Company as per last audited financial statements), was entered during the year by the Company.

The Company has sold and transferred its Textile Business i.e. Birla Textile Mills ("BTM") to Sutlej Textiles and Industries Limited ("STIL") as a going concern on slump sale basis with effect from April 1, 2015. The discussions were held with different parties for sale / disposal of BTM but same did not reach any fruitful conclusion. Then, STIL evinced their interest in purchasing BTM from the Company. It was decided to sell and transfer BTM in light of (i) there being limited scope for expansion of BTM at the current location in the State of Himachal Pradesh as the land in the factory premises was fully utilized, (ii) necessity of further capital expenditure of around Rs. 50 -60 Crore in coming years to maintain the productivity and keep the unit cost competitive; and (iii) downward trend in the textile business.

The Company has treated the said transaction as related party transaction and the shareholders of the Company has approved the said transaction at the Annual General Meeting held on September 15, 2015. The details of this transaction are given in Form AOC-2 attached to this report as Annexure "G".

- d) The extract of Annual Return is attached to this Report as Annexure "H"
- e) The following information is given in the Corporate Governance Report attached to this Report as Annexure "B".
 - i. The Performance evaluation of the Board, the Committees of the Board, Chairperson and the individual Directors;

- ii. The Composition of Audit Committee; and
 - iii. The details of establishment of Vigil Mechanism.
- f) The particulars of loans and guarantees given and investments made under Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements.
- g) During the year, the auditors have not reported any fraud under Section 143(12) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

13. Directors Responsibility Statement

Your Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed and no material departures have been made from the same;
- b) 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, 2016 and of the profit and loss of the Company for the year ended March 31, 2016;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;
- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

14. Auditors

The Notes to the Financial Statements read with the Auditors' Report are self-explanatory and therefore, do not call for any further comments or explanations.

M/s. S. R. Batliboi & Co. LLP, Auditors (Registration No. 301003E/ E300005) and M/s. Singhi & Co., Chartered Accountants (Registration No. 302049E) Branch Auditors of Shipping Business of the Company are retiring at the ensuing Annual General Meeting ("AGM") of the Company and being eligible, offered themselves for re-appointment. Your Directors are seeking re-appointment of M/s. S.R. Batliboi & Co. LLP, Auditors and M/s. Singhi & Co., Branch Auditors of Shipping Business of the Company from the conclusion of the ensuing 31st AGM of the Company till the conclusion of 32nd AGM of the Company.

The Board of Directors of the Company appointed M/s. K.G. Goyal & Associates, Cost Accountants for conducting audit of cost accounts of the Company, as applicable, for the financial year 2016-17. As required under the Companies Act, 2013 and Rules framed thereunder, your directors are seeking ratification of the members for the remuneration payable to M/s K.G. Goyal & Associates, Cost Accountants.

15. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed M/s. RMG & Associates, Company Secretaries for conducting secretarial audit of the Company for the financial year 2015-16. The Secretarial Audit Report issued by the aforesaid Secretarial Auditors is annexed herewith as Annexure "I".

There is no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report.

16. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The Company continuously endeavors to make its plants energy efficient and reviews various options to conserve energy on regular basis. The energy conservation is of paramount importance for sustainable business and it also results into saving of natural and financial resources. The Company has four double hull Aframax Tankers and these ships are more energy efficient as compared to the old vessels. The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Accounts) Rules, 2014 is set out in Annexure "J" attached hereto.

17. Risk Management

Your Company has developed and implemented a Risk Management Policy. The Company has constituted Risk Management Committee which periodically reviews all risks, finalise the risk document and monitors various risks of the Company including the risks, if any, which may threaten the existence of the Company. The composition and terms of reference of the Risk Management Committee are given in the Corporate Governance Report.

The risk document containing Key and Non-Key risks including way forward for mitigation thereof, as approved by the Risk Management Committee, is also circulated to the Audit Committee and the Board of Directors for their review periodically.

18. Deposits

During the year, the Company has not accepted deposits from the public under Chapter V of the Companies Act, 2013. Your Company has not defaulted in repayment of deposits or payment of interest during the year. There was no public deposit outstanding as on March 31, 2016.

19. Particulars of employees

Your Company recognizes that people are the most valuable resource of the Company. The committed work force has played an important role in the growth of the Company over the years. The Company always strives to keep its human resource motivated and

encourages merit and healthy relations. Information required to be disclosed in pursuance of Section 197 of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report and is attached hereto as Annexure "K".

20. Employees Stock Option Scheme

The members of the Company had approved CFCL Employees Stock Option Scheme 2010 on August 27, 2010 (as amended on September 13, 2013) for issue and allotment of options exercisable into not more than 41,62,000 equity shares of face value of Rs. 10/- each to eligible employees and Managing Director of the Company. Each option when exercised would be converted into one fully paid up equity share of Rs. 10/- of the Company. Consequent upon promulgation of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("ESOP Regulations"), the shareholders of the Company had approved the revised CFCL Employees Stock Option Scheme, 2010 ("ESOS 2010") on September 15, 2015 in compliance with the ESOP Regulations.

The details of material changes made in CFCL Employees Stock Option Scheme 2010 during the year are as under:

- Provision has been made for 'CFCL Employees Welfare Trust' ("Trust"), to purchase shares from the secondary market.
- The provision for direct subscription of shares by the employees upon exercise of stock options has been deleted as ESOS 2010 envisaged secondary acquisition of shares and in such case, as per ESOP Regulations, it has to be implemented through Trust only.
- In order to give more time to the employees for exercise of options, the exercise period has been increased from five years to eight years from the date of vesting.
- Certain other changes were made mainly to align ESOS 2010 with the requirements under ESOP Regulations

The Company has not granted any stock options during the year.

ESOS 2010 is in compliance with ESOP Regulations and implemented through the Trust. The Trustee of the Trust is holding 22,53,402 equity shares (0.54% of the paid up share capital) of the Company for the purpose of ESOS 2010. The ownership of these shares cannot be attributed to any particular employee till he / she exercises the stock options granted to him / her. Hence, the concerned employees to whom the stock options were granted under ESOS 2010 cannot exercise voting rights in respect of aforesaid shares held by the Trustee of the Trust as such employees are not holders of such shares. The Trustee has not exercised the voting rights in respect of the aforesaid shares in the Annual General Meeting of the Company held during the Financial Year 2015-16.

The disclosures required to be made under ESOP Regulations read with SEBI circular no. CIR/CFD/Policy Cell/2/2015 dated June 16, 2015 are given on the website of the Company at the weblink <http://www.chambalfertilisers.com/pdf/esop-2016.pdf>. The disclosures in respect of ESOS 2010 are also given in the notes to the Financial Statements.

21. Consolidated Financial Statements

In pursuance of the provisions of the Companies Act, 2013, Rules thereunder, Listing Regulations and the applicable Accounting Standards, the Company has prepared Consolidated Financial Statements. The Audited Consolidated Financial Statement alongwith Auditors' Report and the Statement containing salient features of financial statements of subsidiaries and joint venture (Form AOC – 1) forms part of the Annual Report.

22. Investor Service Centre

The In-house Investor Service Centre of your Company located at New Delhi, provides prompt service to the investors. The Company takes various measures for investor satisfaction such as reminders to investors about new corporate benefits, undelivered shares, unclaimed dividend, etc.

The equity shares of your Company are listed at National Stock Exchange of India Limited and BSE Limited. The Company has paid annual listing fees to these Stock Exchanges for the Financial Year 2016-17.

The members are requested to refer to general shareholders' information given in Corporate Governance Report appended hereto.

23. Acknowledgements

Your Directors wish to place on record their appreciation of the support and co-operation received from all stakeholders including the Department of Fertilisers, Government of India, State Governments, Domestic and International Financial Institutions & Banks. Your Directors also convey their sincere appreciation of the commitment, hard work and devotion of every employee of the Company which has enabled the Company to achieve sustained performance.

For and on behalf of Board of Directors

Place: New Delhi
Date: May 11, 2016

S. K. Poddar
Chairman

Annexure “A” to Directors’ Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company has two business segments – Fertilisers & other Agri-inputs and Shipping. The Management Discussion and Analysis Report covering the aforesaid business segments of the Company is as under:

1.0 FERTILISERS AND OTHER AGRI-INPUTS DIVISION

1.1 Industry Structure and Developments

A) Urea

Urea is a major plant nutrient used by farming community. The demand of Urea in the country is met by domestic production and imports. Urea production in the country remained almost stagnant for many years despite steady increase in consumption. No new capacities were added during last 16 years except revamp of few existing plants. This has resulted into increasing dependence on imports. India imported around 8.47 million MT of Urea during the year 2015-16, constituting about 26.50% of the total urea consumption in the country. Urea production in the country during the year was 24.47 million MT against 22.59 million MT during the previous year. The increase in production was a result of positive changes in the Government policy coupled with pooling of Gas for Urea sector. The prices of imported Urea remained volatile during the year. The international prices (FOB – Arabian Gulf) of Urea were in the range of USD 260-265 per MT in April 2015 which went upto USD 300 – 305 per MT in June 2015 and came down to USD 205-215 per MT in March 2016.

Developments in Government Policies

The Government of India has notified the New Urea Policy, 2015 (“NUP 2015”) with effect from June 1, 2015. Under NUP 2015 (i) the energy norms have been revised downwards, resulting into partial mopping up of energy gains; and (ii) for production beyond the re-assessed capacity, the Urea units are now entitled for the variable cost, energy savings and incentive at a uniform rate subject to Import Party Price plus incidental charges. In addition to this, the Government of India has also notified guidelines for pooling of Gas in Fertilizer (Urea) Sector. In pursuance of the aforesaid guidelines, the domestic gas is pooled with Re-gasified Liquefied Natural Gas to provide natural gas at uniform delivered price to all natural gas grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. The pooling of Gas gave a level playing field to the players in Urea Industry. The aforesaid policy decisions have augured well for the Urea Industry and enabled the Urea manufacturers to produce upto the maximum level.

B) Other Products

Apart from Urea, the Company also manufactures Single Super Phosphate (SSP) at its manufacturing Unit at Gadepan with an installed capacity of 180,000 MT per annum. The SSP market is very fragmented with many small players. The Company also sourced SSP manufactured by other parties.

The Company also supplies other agri-inputs through its well established marketing network. The Company imports and supplies Di-ammonium Phosphate (DAP), Muriate of Potash (MOP) and NPK Fertilisers in its marketing territory. There are large players in the market who manufacture and / or import DAP. The major consumption of DAP is met through imports in the country. As against total consumption of 9.76 Million MT during the year, around 5.60 million MT of DAP was imported constituting about 57% of total consumption in the country. There was downward trend in the prices of DAP in international market. The prices of imported DAP were in the range of USD 474 - 485 per MT in April 2015 which came down in the range of USD 350 - 360 per MT by March 2016. The demand of MOP in the country is entirely met out of imports. MOP imports in the country during the year were 3.24 million MT as against 4.20 million MT during the previous year.

The Company also deals in other agri-inputs like sulphur, micro-nutrients, insecticides, herbicides, fungicides, seeds, etc. with a large portfolio of products. The Company sources the products from reputed manufacturers and is known for quality products in the market. The insecticides market is dominated by multi-national companies and the products are either manufactured by them or they supply the basic ingredients to domestic manufactures for production of finished products. The seeds and micro-nutrients market is fragmented with many small manufactures. These products are sourced from domestic manufacturers with tight controls on quality parameters.

1.2 Opportunities & Threats

After notification of amended New Investment Policy 2012 (NIP), the Company moved ahead with its plans for setting up new Urea project at Gadepan, Dist. Kota, Rajasthan. The project is under implementation and expected to commence commercial production in January 2019. This is a huge opportunity available to the Company to expand its core business. The new plant will be the most modern and energy efficient plant in the country and it will substantially increase the production capacity of the Company. The economic benefits of the new plant will be available to all the stakeholders and it will serve the national interest by helping the country in moving towards self-sufficiency in Urea production.

The Company has rapidly expanded its business of DAP and MOP Fertilisers during past few years after implementation of Nutrient Based Subsidy Policy by the Government of India. This gave a major boost to the top line and bottom-line of the Company. The Company has established reliable supply channels in the international market to source quality products. It has strengthened its marketing network to seize the opportunities available in DAP and MOP segments. However, demand fluctuation due to monsoon variations, volatility in the global prices of these fertilisers and variation in the foreign exchange rates are the challenges and your Company take these factors into consideration while making its marketing strategy.

1.3 Risks and Concerns

The Fertiliser Industry is highly dependent on the Government policies and changes in such policies may sometimes adversely affect the Company. The subsidy is major component of revenue of the Company and delay in payment of subsidy by the Government creates stress on the working capital and increases the finance cost of the Company. During last few years, the