



Chambal Fertilisers and Chemicals Limited

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Fourteenth Annual Report
1998-99

DIRECTORS

Dr. K.K. Birla
Chairman

H.S. Bawa
Vice Chairman

H.C. Grover
Managing Director

Mohd. Y.A. Al-Roomi
(Alternate : P.J. Batavia)

Dr. Padmakar Asthana
UTI/LIC/GIC Nominee

R.N. Bansal

Dipankar Basu

Shyam S. Bhartia

D.B. Engineer

Michael R. Hobson
(Alternate : Marco Wadia)

P.K. Kaul

M.D. Locke
(Alternate : C.S. Nopany)

T.M. Nagarajan
IDBI Nominee

S.K. Poddar

A.J.A. Tauro

SENIOR EXECUTIVES

S.M. Bhalla
Director (Strategic Planning)

P.R. Shankar Kumar
President (ISG)

R.M. Malik
Vice President (Expansion)

R.D. Mall
Vice President (Operations)

S.M. Nadgir
Vice President (Marketing)

Sunil Sethy
Vice President (Finance)

Ashok Singh
Vice President (HR & CR)

COMPANY SECRETARY

M.S. Rathore

REGISTERED OFFICE

Gadepan,
Distt. Kota, Rajasthan,
PIN - 325 208

CORPORATE OFFICE

Devika Tower,
Ground Floor,
6, Nehru Place,
New Delhi - 110 019

LEGAL ADVISORS

Crawford Bayley & Co.,
Mumbai
Khaitan & Co.,
New Delhi

AUDITORS

S.R. Batliboi & Co.
Chartered Accountants

BANKERS

Bank of Baroda
Punjab National Bank
State Bank of India
Allahabad Bank
State Bank of Indore
State Bank of Patiala
State Bank of Hyderabad
State Bank of Bikaner & Jaipur



NOTICE

NOTICE is hereby given that the fourteenth Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at Gadepan, Distt. Kota, Rajasthan, at 1030 hours on Wednesday, August 25, 1999 to transact the following business:

ORDINARY BUSINESS:

1. to receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 1999, Profit & Loss Account for the year ended on that date and reports of Auditors and Directors thereon;
2. to consider declaration of dividend on equity shares;
3. to appoint a director in place of Dr. K.K. Birla, who retires by rotation and is eligible for re-appointment;
4. to appoint a director in place of Mr. H.S. Bawa, who retires by rotation and is eligible for re-appointment;
5. to appoint a director in place of Mr. R.N. Bansal, who retires by rotation and is eligible for re-appointment;
6. to appoint a director in place of Mr. M.R. Hobson, who retires by rotation and is eligible for re-appointment;
7. to consider and if thought fit, pass with or without modification(s), the following resolution as a special resolution:

"RESOLVED THAT pursuant to the provisions of section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. R. Batliboi & Co., Chartered Accountants be and are hereby re-appointed as auditors of the Company, to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, at such remuneration as may be fixed by the Board of Directors, from time to time and reimbursement of out-of-pocket expenses incurred by them for carrying out the audit."

SPECIAL BUSINESS:

8. to consider and if thought fit, pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of section

293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors, of all the immovable and movable properties of the Company, wheresoever situate, present and future and/or conferring power to enter upon and to take possession of the assets of the Company in certain events to or in favour of all or any of the following namely:

- a. Industrial Development Bank of India (IDBI),
- b. ICICI Limited
- c. Canara Bank,
- d. Industrial Investment Bank of India Limited (IIBI)

to secure the following loans/advances given by the aforesaid Financial Institutions and Bank:

- IDBI** - Corporate loan not exceeding Rs.50 crores (Rupees fifty crores only)
- ICICI** - Rupee Term Loan not exceeding Rs. 25 crores (Rupees twenty five crores only)
- Canara Bank** - Rupee Term loan not exceeding Rs. 30 crores (Rupees thirty crores only)
- IIBI** - Corporate loan not exceeding Rs. 25 crores (Rupees twenty five crores only)

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment, costs, charges, expenses and other moneys payable by the Company to the aforesaid lenders under their respective heads of *agreements/memorandum of terms and conditions* entered into by the Company in respect of the said term loans and guarantees.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, ICICI, Canara Bank and IIBI, the documents for creation of aforesaid mortgage and/or charges and to do all such acts, deeds and things as may be necessary for giving effect to the above resolution."

By order of the Board

Gadepan
June 19, 1999

M. S. Rathore
Company Secretary

Notes

1. Proxy

A member entitled to attend and vote is entitled to appoint proxy to attend and vote in his/her stead and a proxy need not be a member of the Company. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the scheduled time of the meeting. A blank proxy form is annexed to the annual report.

2. Explanatory Statement

The Explanatory Statement pursuant to section 173 of the Companies Act, 1956, in respect of item Nos. 7 and 8 of the notice is given below and forms part thereof.

3. Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, 21st July to Saturday, 31st July, 1999 (both days inclusive).

4. Payment of Dividend

The dividend for the financial year 1998-99 will be paid after its declaration at this meeting to those members whose names appear on the Register of Members of the Company as on 31st July, 1999. Members whose dividend for the year 1994-95 and/or subsequent years is still unpaid, may please write to Investor Service Centre.

5. Electronic Clearing Service

Your Company is planning to introduce the Electronic Clearing Service (ECS) for the payment of dividend on equity shares, interest on debentures and fixed deposits. Under ECS, you will get an instant credit of dividend/interest payments in your bank account on due dates through RBI clearing system at no extra cost. The ECS mode of payment will eliminate risks like fraudulent encashment of the warrants, impersonation, loss of warrants, delay in postal transit, etc. Since your account will be credited directly with the due amount, you will not be bothered with chore of depositing instruments with the Bank and suffer delay in the receipt of credit, etc.

At present, the ECS facility is available only in Ahmedabad, Bangalore, Bhubaneswar, Calcutta, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, Patna, Pune and Thiruvananthapuram. RBI proposes to extend the facility to 30 more centres

shortly. RBI has presently fixed a ceiling on the amount of individual transaction at Rs. 1.00 lac.

In view of the advantages available for payment through ECS, you are advised to opt for it and return the Mandate Form duly filled in and signed alongwith a xerox copy of a leaf of your cheque book bearing your bank account number to the Investor Service Centre at the earliest. A blank ECS mandate form is attached at the end of this annual report as Annexure "I". Please ensure the accuracy of the information provided in the said form as any error will result in the dividend/interest payment being credited to a wrong account.

6. Compulsory Demat of Shares

The equity shares of your Company have been notified for compulsory dematerialisation effective May 31, 1999. This means that from this date, the shares of your Company can be traded through specified stock exchanges only in the electronic mode after opening an account with a depository participant. You may therefore, open account(s) with any depository participant to enable delivery of the shares of the Company in demat form. You may seek further guidance/assistance of Investor Service Centre in this regard.

7. Nomination facility

By virtue of an amendment in the Companies Act, 1956, every shareholder is now entitled to nominate a person to whom his shares in the Company shall vest in the unfortunate event of his death.

- a) Nomination by Joint Holders: where the shares are held jointly by two persons, the joint-holders may together nominate a person to whom all rights in the shares shall vest in the event of death of both the joint holders. It may be noted that nomination of separate persons by the joint holders is not permitted.
- b) Nomination of a minor: where the nominee is a minor, the shareholder may appoint any person to become entitled to the securities in the event of his death during minority.

The shareholders who want to avail of the facility of nomination may send in their nomination in form 2B prescribed under the Companies Act, 1956. A specimen of the said form is appended at the end of this annual report as Annexure "II".

**8. Pick-up coach facility**

For the convenience of members desirous of attending the Company's Annual General Meeting scheduled on August 25, 1999, at 1030 hours, the Company will provide transport from Kota to Gadepan and back. The pick-up coach will leave from "Sahyog Bhavan" No. 1, Aerodrome Circle, Kota, at 9.00 a.m. on that date to reach Gadepan (venue of the AGM) in time for the meeting and leave for Kota after the meeting.

Members wishing to avail of this facility may kindly be present in time at the pick-up point in Kota.

9. Members are advised to send all correspondence to Investor Service Centre of the Company situated at Devika Tower (5th floor), 6, Nehru Place, New Delhi - 110 019. Phone : 91(11) 6462162, 6462163, Fax: 91(11) 6465218, 6480639.

10. Members are requested to :

- a) send their queries, if any, to reach the Company's Head Office at New Delhi at least 10 days before the date of the meeting so that information can be made available at the meeting and
- b) bring their copy of the Annual Report at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 7**

Section 224A of the Companies Act, 1956 provides for appointment/re-appointment of auditors at an annual general meeting by a special resolution in case 25% or more of the subscribed share capital of a company is held by the public financial institutions/Government companies/Central Government/State Governments/nationalised banks/insurance companies.

The aforesaid institutions/banks hold more than 25% of the subscribed share capital of your Company. It is, therefore, necessary to re-appoint the auditors by passing a special resolution.

None of the directors of the Company is concerned or interested in the resolution.

The Board commends the resolution for your approval.

The financial assistance availed is to be secured by mortgage of all the immovable and movable properties of the Company, both present and future and it requires members' approval under section 293(1)(a) of the Companies Act, 1956.

The copies of the aforesaid agreements are available for inspection at the Registered Office of the Company between 1000 hours and 1200 hours on any working day prior to the date of the meeting.

None of the directors of the Company except Mr. D. Basu who is also on the Board of Directors of IDBI is concerned or interested in the resolution.

The Board commends the resolution for your approval.

By order of the Board

Item No. 8

The Company has availed rupee term loans/corporate loans for its normal/long-term working capital requirement and expansion project.

Gadepan
June 19, 1999

M. S. Rathore
Company Secretary

Directors' Report

To

The Members,

Your Directors have pleasure in presenting the 14th Annual Report together with audited accounts for the financial year ended March 31, 1999.

1. Financial Results and Appropriations:

Particulars	(Rs. in crores)	
	1998-99	1997-98
Turnover *	793.45	903.24
Gross Profit after interest but before depreciation and tax	228.49	212.91
Depreciation	65.29	64.21
Profit before tax	163.20	148.70
Provision for taxation (MAT)	17.73	15.61
Profit after tax	145.47	133.09
Balance of Profit brought forward	153.54	126.91
Profit available for appropriation	299.01	260.00
Debenture Redemption Reserve	18.00	18.00
Debt Redemption Reserve	14.54	13.01
General Reserve	25.00	25.00
Proposed dividend on		
- Equity Shares	51.38	45.78
- CCP Shares	—	0.08
Tax on proposed dividend	5.65	4.59
Balance carried forward to Balance Sheet	184.44	153.54

* Turnover includes sale of traded products of Rs. 26.93 crores (previous year Rs. 200.78 crores)

2. Share Capital

The Company had issued on October 14, 1997, 390 lac Convertible Warrants of Rs. 10 each to its core promoters which were convertible into equity shares on or before April 13, 1999. Accordingly, the Company allotted 390 lac equity shares of Rs. 10 each at a premium of Rs. 1.63 per share on April 12, 1999 on conversion of the above warrants. The equity share capital of the Company has thus increased to Rs. 406 crores.

3. Dividend

The Directors recommend dividend of Rs. 1.40 as compared to Rs. 1.25 per share declared last year. The total outgo on this account will be Rs.57.03 crores.

4. Retention Price

The members are aware that urea price is regulated by the Government of India through fixation of uniform Consumer Price and Ex-Factory Price for individual

manufacturing unit under the Retention Price Scheme. Your Company had applied to the Fertiliser Industry Coordination Committee (FICC) of the Government of India for fixation of Final Retention Price for urea manufactured at Gadepan Plant. The Government of India, Ministry of Chemicals and Fertilisers has notified on January 28, 1999, a Revised Provisional Retention Price of urea effective January 1, 1994. The Company has accordingly revised the credit taken in the past periods on account of Retention Price Support and also accounted for the Retention Price Support during the current year on the basis of this revised Provisional Retention Price. The matter is being pursued with the Government for early fixation of Final Retention Price.

Consequent to the issue of the report of the High Powered Fertiliser Pricing Policy Review Committee set up by the Government of India to review the existing Retention Price Scheme for Urea, the Government is examining various alternatives to arrive at a Long Term Fertiliser Pricing Policy. Your Company hopes that the Government will not take any step, which will be detrimental to the overall health of this vital and core sector industry.

5. Plant Operation

The production of urea during the year 1998-99 was 9.57 lac MT representing a capacity utilisation of 123% as against 9.70 lac MT in the previous year. The lower production is due to major planned turnaround of the entire plant taken during March-April 1999. After the turnaround, the plant is operating very satisfactorily.

6. Marketing

The agricultural sector registered an impressive growth during 1998-99. Advance crop production estimates released by Agriculture Ministry indicate a total food grain output of 200.88 million tons, mainly due to higher production levels of rice, wheat and pulses. On the other hand, output of coarse cereals viz. maize sorghum, bajra and other small millets grown in rainfed conditions has fallen. The oil seeds and sugarcane have also surpassed previous years' production levels. The attractive minimum support price of Rs. 550 per quintal has boosted the procurement drive of wheat in northern states.

During the year 1998-99, your Company sold 10.38 lac tons of Fertilisers comprising of 10.03 lac tons of Urea (including 0.23 lac ton of imported urea) 0.34 lac ton of Single Super Phosphate and pesticides valued at Rs. 10.92 crores. The Company did not import any

DAP during first three quarters of 98-99, in view of uncertainty regarding quantum of additional adhoc concession for phosphatic fertiliser which was finally announced as late as December, 1998. The Govt. introduced in the current financial bill, 5% custom duty on the import of DAP and Urea. In order to encourage and ensure balanced use of fertilisers, the Govt. must take a long term view on concessions to phosphatic fertilisers. The MRP of Urea was enhanced by the Government from Rs. 3660 per ton to Rs. 4000 per ton with effect from January 29, 1999.

The Company reaches out to our valued farmers through a strong marketing network of 750 dealers and over 13000 village outlets to ensure timely supply of agri-inputs and technical assistance. The Company is making special efforts to ensure balanced use of nitrogenous and phosphatic fertilisers to increase food grain production in the country.

7. Capital Projects

a) GADEPAN II

The expansion programme to double the capacity of the fertiliser plant at Gadepan at the Project Cost of Rs. 1256 crores is progressing ahead of schedule and expected to go on stream by October 1999. After the commencement of this plant, your Company will become the largest producer of Urea in the private sector. The introduction of a 5.5% custom duty (inclusive of surcharge) on capital imports in the current finance bill had virtually no impact on our project since the procurement of most of the equipment had taken place before the introduction of this levy.

b) JOINT VENTURES

A Joint Venture Project being set up in Morocco at an estimated cost of US\$ 228 million in collaboration with Office Cherifien Des Phosphates (OCP), a Moroccan Government company is progressing satisfactorily. The plant is expected to go on stream by August 1999.

Your Company proposes to set up a Joint Venture Project in India in collaboration with M/s. Technico Pty. Ltd., Australia to produce miniature potato seeds at an estimated project cost of Rs. 50 crores. The Company has already received Government of India's permission for foreign collaboration.

c) SPINNING DIVISION

The Company is planning to set up a spinning unit of 26,400 spindles at Baddi, Distt. Solan (H.P.) at an estimated project cost of Rs. 98 crores with a debt equity ratio of 2:1. The project is expected to be completed before March 31, 2000.

d) HOUSING FINANCE

Your Company has taken over M/s. ITC Classic Home Finance Ltd. (ITC CHF) through purchase of 100% equity

share capital of ITC CHF. ITC CHF was a subsidiary of ITC Classic Finance Ltd., which was amalgamated with ICICI Ltd. This acquisition has been done with a view to enter the housing finance business, which has a high growth potential. The incentives given by the Government in the last budget will provide additional fillip to this sector.

e) SOFTWARE DIVISION

India Software Group (ISG), the Software Division of the Company has commenced its activities from Chennai. ISG has recently been awarded a contract by OCP, Morocco. The division proposes to focus on ERP, Data Warehousing and products from Oracle and Lotus. ISG will lay special emphasis during the current year, on export of software services.

8. Environmental Protection and Safety

In view of your Company's commitment to environmental protection, pollution control and maintenance of ecological balance, adequate facilities have been provided to ensure that all statutory requirements of pollution control are complied with. The Company is fully committed to not only protect the environment but taking steps to improve it by focussing on green belt development and horticultural activities. The Company ensures high level of safety awareness among all the employees through continuous safety promotional programmes.

9. Conservation of Energy

Your Company strives to make the plant as energy efficient as possible and continually reviews schemes to conserve energy.

The requisite information with regard to conservation of energy, technology absorption and foreign exchange outgo and earnings in terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in separate statements attached hereto (Annexures A & B) and forms part hereof.

10. Investor Service Centre

The In-house Investor Service Centre of your Company located at New Delhi continues to provide prompt investor service. The Centre is providing transfer of shares 'Over the Counter' upto 1000 shares. Further SEBI has notified the shares of your Company for compulsory dematerialisation with effect from May 31, 1999. This means that from May 31, 1999, the shares of the Company can be traded through specified stock exchanges only in the electronic mode after opening an account with a Depository Participant. Approximately 35% of the Company's capital has already been dematerialised. Further, information in this regard would be available with your Company's Investor Service Centre.

11. Fixed Deposit

As on March 31, 1999, your Company had fixed deposits of Rs. 350.18 lacs and 35 deposit holders did not claim FD amount of Rs. 6.55 lacs as of that date. These deposit holders have been advised to claim their deposits.

12. Personnel

Your Company considers its highly motivated and well-trained team of individuals as its most valuable asset. During the year, various training programmes were conducted for sharpening and developing human skills with the prime objective of achieving corporate goals and at the same time providing opportunities for professional development of the employees to keep them abreast with the fast changing business environment. The Company has taken steps for the recruitment and training of employees for the expansion project. The employee relations continue to remain cordial and harmonious.

13. Social Work and Rural Development

Your Company endeavours to meet rising social expectations of the community around Gadepan and has undertaken various social activities like building and repair of roads, boring of tubewells, free medical check-ups, immunisation, provision of facilities like ambulance, fire tenders etc. The Company is actively associated with local administration in family welfare schemes and organising sports and cultural activities.

14. Year 2000 (Y2K) Compliance

i) Gadepan I Plant is Y2K compliant. Gadepan II Plant, which is under erection is also Y2K compliant. M/s. Toyo Engineering Corporation, Japan who is Lumpsum Turn Key Contractor for implementation of the project has confirmed the Y2K compliance of the project.

In the areas of IT based systems, the potential items vulnerable to Y2K are : application software, system software, computers and networking. Most of the application software in use are Y2K compliant. For the balance, necessary action has been initiated and these are expected to be Y2K compliant by October 31, 1999. For computers and networking, the Company is in the process of engaging an external agency to check all the IT equipment for Y2K compliance. The Company is in the process of obtaining certification of Y2K compliance from all its critical suppliers.

ii) The total cost of checking and remediation for Y2K Problem is not expected to exceed Rs. 25 lacs.

iii) Despite all our Y2K remediation efforts, any unforeseen problem on account of Y2K problem is not expected to affect our business operations in a significant manner. The computer based processing in

your Company is semi automatic with sufficient manual checks and controls and since most of the software packages have been developed in-house, we possess requisite technical competence to handle any eventuality.

15. Directors

During the year, Mr. W. J. Stevens, has ceased to be a director on the Board of the Company w.e.f. July 1, 1998. Your Board wishes to place on record its appreciation for the valuable services and guidance provided by Mr. Stevens during his tenure as a director of the Company. Mr. Michael R. Hobson was appointed as director in place of Mr. Stevens w.e.f. July 1, 1998 and is liable to retire by rotation.

In accordance with the requirements of the Companies Act, 1956 and Articles of association of the Company, Dr. K. K. Birla, Mr. H. S. Bawa, Mr. R. N. Bansal and Mr. M. R. Hobson, Directors shall retire by rotation and are eligible for re-appointment.

16. Particulars of Employees

Information in accordance with section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of the Directors' Report for the year ended March 31, 1999 as given in Annexure "C" to this report.

17. Auditors

The Notes on Accounts appearing in schedule 19 and referred to in the Auditors' Report are self explanatory.

The Auditors M/s. S. R. Batliboi & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate that appointment, if made, will be in accordance with the provisions of section 224 (1B) of the Companies Act, 1956.

18. Acknowledgements

Your Directors wish to place on record their appreciation of the assistance and co-operation extended to the Company by the Department of Fertilisers, Government of India, Government of Rajasthan, Financial Institutions, Commercial Banks, Shareholders and all others whose continued support has been a source of strength to the Company. Your Directors also wish to place on record their sincere appreciation of contribution and high level of commitment of every employee of the Company.

By Order of the Board

New Delhi
May 15, 1999

K.K. BIRLA
Chairman

Annexure "A" to Directors' Report

FORM "A"

Disclosure of particulars with respect to Conservation of Energy

Particulars	Unit	Current Year	Previous Year
A. POWER & FUEL CONSUMPTION			
1. Electricity			
a) Purchased			
Quantity	MWH	6459.95	6043.12
Total Amount [Incl. minimum demand (MD) charges]	Rs. lacs	217.24	195.28
Rate/Unit (Excl. MD charges)	Rs.	3.36	3.23
b) Own Generation			
i) Through diesel generator	MWH	—	—
ii) Through steam turbine/generator			
Quantity	MWH	109246.70	112170.71
Unit per SM ³ of gas	KWH/SM ³	2.06	1.87
Unit per Kg. of Naphtha	KWH/Kg	2.33	2.49
Cost/Unit	Rs./KWH	2.01	2.68
2. Other/Internal Generation			
a) Natural Gas (Ammonia-Fuel, Power & Steam)			
Quantity	1000SM ³	211338.26	151984.07
Total Cost	Rs. lacs	7054.62	4758.15
Average Rate/Unit	Rs./1000SM ³	3338.07	3130.69
b) Naphtha (Ammonia-Fuel, Power & Steam)			
Quantity	MT	77902.89	134285.35
Total Cost	Rs. lacs	6110.94	9353.89
Average Rate/Unit	Rs./MT	7844.31	6965.68
B. CONSUMPTION PER MT OF UREA PRODUCTION			
1. Electricity (incl. internal consumption)	KWH	—	—
2. Others :			
a) Gas (Ammonia - Fuel, Power & Steam)	SM ³	220.87	156.75
b) Naphtha (Ammonia - Fuel, Power & Steam)	Kg.	81.42	138.49