



CHAMBAL FERTILISERS
AND CHEMICALS LIMITED

Sowing the seeds of sustainability

Annual Report 2014-15

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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

D.L. Birla
Executive President - BTM

V.K. Gupta
Vice President - Marketing

Vinod Mehra
President - Projects

M.S. Rathore
Vice President - Legal & CSR

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

Registered Office: Gadepan, Distt. Kota, Rajasthan, PIN - 325 208

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Email: isc@chambal.in **Website:** www.chambalfertilisers.com **(CIN:** L24124RJ1985PLC003293)

Director's Report

Dear Members,

Your Directors have pleasure in presenting the 30th Annual Report on the business and operations of the Company together with audited accounts for the financial year ended March 31, 2015.

1. Financial Results and Appropriations

Particulars	(Rs. in crore)	
	2014-15	2013-14
(a) Turnover (excluding excise duty)	8868.05	7976.42
(b) Gross Profit after Finance Cost but before Exceptional Items, Depreciation and Tax	680.46	576.23
(c) Depreciation / Amortization	173.32	230.31
(d) Profit before Exceptional Items and Tax	507.14	345.92
(e) Exceptional Items	(107.02)	-
(f) Profit before Tax	400.12	345.92
(g) Provision for Current Tax	148.56	40.14
(h) Provision for Deferred Tax	14.78	2.71
(i) Profit after Tax	236.78	303.07
(j) Balance of Profit Brought Forward	1390.86	1229.01
(k) Profit available for Appropriation	1627.64	1532.08
(l) Reversal of Dividend on Equity Shares held by CFCL Employees Welfare Trust (Trust)	-	0.87
(m) Appropriations:		
• General Reserve	50.00	50.00
• Proposed Dividend on Equity Shares	79.08	79.08
• Tax on Dividend	16.10	13.44
• Proposed Dividend on Equity Shares held by Trust	(0.43)	(0.43)
(n) Balance Carried Forward to Balance Sheet	1482.89	1390.86

2. Operations

The Fertilisers and other Agri-inputs business of the Company contributes 87% of the total revenue, whereas Shipping and Textile contributes the remaining. The Company has registered an increase in the turnover mainly on account of increase in sale of branded products like fertilisers, pesticides and other agri-inputs, increase in prices of natural gas and depreciation in value of Indian Rupee vis-à-vis USD (as the natural gas prices are denominated in USD). The turnover of Shipping Division was higher mainly on account of revenue from in-chartered vessels, better realisations from own vessels and foreign exchange rate variations. The turnover of Textile Division was almost at the level of last year.

The Fertilisers business faced multiple challenges during the year. The Company had to shutdown Gadepan – II plant from February 8, 2015 due to un-favourable policy of the Government of India for production beyond 100% capacity. This has resulted into lower production of Urea. Delays in disbursement of subsidy by Government of India continued to affect the profitability of the Company as the interest burden continued to mount. However, impressive performance of branded products gave a major boost to the profitability of the Company. The Company has established itself as a major player in its marketing territory offering wide range of products to farming community.

The Shipping Division made a come-back by achieving much better performance in comparison to the last year. The year started with a subdued note but it was looking up during the later part of the year as charter rates firmed up in March 2015.

The performance of Textile Division remained subdued due to low demand scenario in the market. The realisations remained under stress causing lower profitability of the Textile Division. During the last quarter, the Board of Directors of your Company has approved the sale of its textile business to Sutlej Textile & Industries Limited, as a going concern on slump sale basis. The parties are in the process of obtaining necessary approvals for the transaction.

The detailed information on all 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, 2015. The total outgo on this account will be Rs. 95.18 crore including dividend distribution tax.

4. 'Corporate Governance Report' and Code of Conduct

The Company is committed to maintain highest standards of Corporate Governance and strives to improve the corporate governance standards. Corporate Governance Report for the Financial Year 2014-15 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 two other partners - Tata Chemicals Limited and OCP, Morocco, each partner holding equal stake in the joint venture. IMACID is engaged in the manufacture of phosphoric acid in Morocco.

During the year 2014, IMACID achieved revenue of Moroccan Dirham (MAD) 2376.30 million (Rs. 16686.12 million) against revenue of MAD 2135.72 million (Rs. 14713.50 million) achieved during the year 2013. The profit after tax of IMACID was MAD 90.09 million (Rs. 632.60 million) during the year as against MAD 83.15 million (Rs. 572.80 million) in the year 2013.

During January - March 2015 quarter, IMACID achieved operating income of MAD 486.91 Million (Rs. 3045.17 million).

The Financial position of IMACID as at December 31, 2014 was as under:

Share Capital - MAD 620 Million
Total Assets - MAD 1444.71 Million
Reserves and Surplus - MAD 150.12 Million
Total Liabilities - MAD 1444.71 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. CIVL was set up to pursue the business opportunities in Power Sector. CIVL had established two down-stream wholly owned subsidiaries viz. Chambal Energy (Chhattisgarh) Limited and Chambal Energy (Orissa) Limited. CIVL has identified a new site for its project in Odisha and the matter is being pursued with the concerned authorities for approval of the new site and renewal of Memorandum of Understanding.

During the financial year 2014-15, the Board of Directors of CIVL approved merger and amalgamation of Chambal Energy (Chhattisgarh) Limited and Chambal Energy (Orissa) Limited with CIVL. CIVL is in the process of filing the scheme with the Hon'ble Delhi High Court.

(ii) **CFCL Overseas Limited, Cayman Islands**

In pursuance of Section 186 of the Companies Act, 2013, a company should make investment through not more than two layers of investment companies. Accordingly, your Company has approved voluntary winding of its wholly owned subsidiary - CFCL Overseas Limited ("COL"). In pursuance of voluntary liquidation, all the assets of COL including its investments in CFCL Technologies Limited, Cayman Islands have been transferred to your Company (being sole shareholder of COL). As a result, CFCL Technologies Limited has become direct subsidiary of your Company. As per the Certificate of Dissolution dated March 26, 2015 issued by the Registrar of Companies, Cayman Islands, COL will be deemed to be dissolved on June 26, 2015.

(iii) **CFCL Technologies Limited, Cayman Islands and its Subsidiaries**

CFCL Technologies Limited, a subsidiary of your Company, operates business through its step-down subsidiaries mainly in USA and India. The Software Business is end-to-end provider of technologies and services to the mortgage industry in USA.

There was sharp decline in the performance of Software Business during the Year 2014. There was significant reductions in business volumes from all the key clients in USA market due to downward trend in the mortgage industry.

(iv) **India Steamship Pte. Limited, Singapore and its Subsidiary**

India Steamship Pte. Limited, Singapore ("ISS, Singapore") is a wholly owned subsidiary of your Company. ISS, Singapore has hired a vessel on time-charter for one year in August 2014. India Steamship International FZE, UAE is a wholly owned subsidiary of ISS, Singapore. There was no business activity in this entity during the year under review.

(v) **India Steamship Limited, India (ISL)**

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

Save and except voluntary liquidation of CFCL Overseas Limited as mentioned earlier, no 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 and Environmental Protection

The commitment of your Company to Environmental Protection and Safety begins with the comprehensive EHS (Environment, Health and Safety) policy formulated by the Company. Your Company accords highest priority to EHS which is reflected in the day to day operations of the Company. Apart from regular reviews and monitoring at the

operating levels, the senior management also continuously monitors the EHS parameters. The Company strives for continuous improvement through benchmarking studies and other appropriate methodologies. Your Company has established and is maintaining an Integrated Management System; based on OHSAS-18001:2007, ISO-14001:2004, ISO-9001:2008 and Process Safety Management (PSM) and guidelines of British Safety Council. The township at Gadepan is also OHSAS-18001 & ISO-14001 certified.

(a) **Health & Hygiene**

Health assessment and occupational disease monitoring of employees and associates is done through regular periodic medical examinations. 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. Specialist doctors like child specialist, Eye specialist, dental surgeon, Gynaecologist, ENT surgeon visit regularly at Health Centre. The up-gradation of the Health Centre by addition of new equipment is a continuous process.

Health and hygiene awareness campaigns were regularly held for employees through experts in various fields. Pulse polio vaccination, regular immunization programme to new born and swine flu vaccination drives were organised from time to time.

(b) **Safety Management**

A strong occupational health and safety management system is in place in your Company to ensure occupational health and safety of employees, contractor workforce as well as equipment and machinery. Further, your Company has implemented, in its operations at Gadepan, Process Safety Management System (PSM) developed by Occupational Safety and Health Administration (OSHA) for proactive identification, assessment & control of hazards. Effective implementation of the safety system is ensured through hazard identification, risk assessment and mitigation procedures, strong updated safety work permit system, etc.

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. Further, under the system of Pro-active safety observation, any one observing an unsafe act/ condition may immediately interact with and get the same corrected.

The concept of Behaviour Based Safety (BBS) for safety improvement in Urea bagging plant is working satisfactorily and noticeable improvement has been observed in work culture. The concept of BBS was introduced in the Single Super Phosphate (SSP) plant also. As a part of safety improvement initiatives, a Safety portal - Uttam Suraksha Setu has been developed and implemented during the year. This has enabled online reporting, management and monitoring of safety incidents and records.

Your Company has a well-defined "Onsite Disaster Management Plan" and MARG (Mutual Aid and Response Group) arrangement with neighbouring industry. Regular mock drills, fire drills and table top drills were conducted to verify emergency preparedness. Prompt services for fire-fighting were provided to villages surrounding Gadepan plants. Various fire-fighting and emergency handling equipment have been added to further improve the capability.

(c) Environment Management

Environment protection is one of the top priorities of your Company and a strong Environment Management System is in place. Extensive environmental monitoring is carried out to assess pollution risk to all personnel working directly or indirectly with us and residing in surrounding areas and immediate corrective and preventive measures are taken. Online monitoring system for effluent and emissions are being installed.

The conservation of natural resources is a priority area for your Company. The measures like Rain Water Harvesting, Ground Water Recharging, Energy Conservation, etc. are some of the efforts continuously made by your Company for this purpose. Your Company continues to follow the 3R concept (Reduce, Re-use and Re-cycle) for waste management. Almost 100% condensate is recycled back to system. Your company has adopted best practices to manage solid / hazardous waste disposal after proper categorization. Use of polythene bags are strictly prohibited in Gadepan campus.

The Company's Gadepan complex made a positive change in Ecology due to development of a dense green belt with thousands of trees & shrubs with fruits and flowers in an area of about 153 hectares. Regular plantations are done in the campus. This has provided habitat to many species of birds. Only treated waste water is used in maintaining the green belt through irrigation network spread all over the complex.

(d) Quality Management

Your company is ISO 9001:2008 certified and proper attention is accorded to maintain quality of end product and processes. The quality assurance is ensured at all stages of manufacturing processes, maintenance and support services. Quality is continually improved by: "determining and taking care of internal and external customer requirements, future needs and expectations". Quality reviews are regularly conducted and feedback from end users - farmers is accorded high value.

(e) Health, Safety, Environment, Quality (HSEQ) Audits and Reviews

HSEQ system is continually improved by conducting periodic audits by teams of trained internal auditors and reputed external agencies. The better practices of other organisations are adapted as per our own requirements.

(f) 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 prestigious awards during the year under review:

- National Award for prevention of Pollution for the year 2010-11 under the Fertiliser category from Govt. of India, Ministry of Environment and Forests.
- Certificate of appreciation from National Safety Council of India (Safety awards 2013) for the year 2010-2012.
- Environmental Protection Award (Winner) in the Nitrogenous Fertiliser Plants Category for the year 2013-14 from Fertiliser Association of India.
- Rajasthan Energy Conservation Award (RECA – 2014) from Department of Energy, Govt. of Rajasthan.

8. Corporate Social Responsibility (CSR)

Your Company strives to make difference in the lives of people with a special focus on neighbouring areas. Your Company has identified and implemented various CSR programmes / Projects which made perceptible positive impact mainly in the area of education and general awareness. The CSR programmes / projects of the Company are implemented directly, through KK Birla Memorial Society as well as in collaboration with other established and reputed Non-Government Organisations. The major highlights of the CSR projects/ Programmes of the Company during the Financial Year 2014-15 are as under:

- a) **School Education:** The Company has adopted 32 Government Schools in 22 villages of District Kota in the vicinity of its plants at Gadepan. Intervention in school education is being carried out through two agencies namely Pratham Education Foundation and Kumar Classes for improving the education level of students. The education standards in Rajasthan are lower than the national average and that in Company's CSR area is substantially lower than the average standard of Rajasthan. After your Company's intervention, an impact assessment was carried out in March 2015. Good improvement has been observed in learning levels of students at all levels in 32 schools in last three quarters vis-à-vis baseline survey. As a pilot project, Computer education has been introduced in 10 schools to introduce digital literacy in Government Schools. The Company also provided free of charge school furniture, stationary, school bags, shoes, woollens, etc. in the adopted schools.

Major challenges faced in this intervention are (a) making government teachers accountable; and (b) availability of good private teachers, in particular the female teachers for Balwadi Centres.

- b) **Technical Education:** Your Company has adopted 2 Industrial Training Institutes (ITIs) at Sangod and Sultanpur in Kota district of Rajasthan. ITI Sangod was taken over 2 years back and has made very good progress in terms of number of courses offered, student enrolment and campus placement of the students. Almost 100% eligible students of ITI, Sangod were placed with reputed companies. ITI Sultanpur was adopted during the year 2014-15. We have built necessary infrastructure, bought equipment and sought fresh affiliation approval from Central Government for the existing courses as well as introduction of new courses. Apart from the ITIs, the company is running 2 vocational training centres to train about 400 youths annually on the lines of Skill India Mission.

- c) **Development of Infrastructure:** The Company has carried out following infrastructure development projects:

- i) Renovation of newly adopted 6 Government schools.
- ii) Construction of Girls toilets in 34 Secondary and Senior Secondary Government Schools in Sultanpur Block.
- iii) Construction of 125 individual toilets in adjoining villages.
- iv) Construction of pavements, drainage and roads in collaboration with MNREGA schemes.

- d) **Health Care:** The Company provides healthcare free of charge in adjoining 23 villages of Kota district and 5 villages in Mussoorie in collaboration with Manorama Devi Birla Charitable Trust.

- e) **Soil Health:** The Company is running Soil Health Laboratories at

Agra and Kota apart from mobile vans, with an annual capacity of 50,000 samples of soil and water.

- f) **Disaster Relief:** The Company has carried out relief work in Jammu & Kashmir through an NGO – Pragma International.

As part of its CSR programmes, the Company has also taken various initiatives under Swachh Bharat Mission, Gramin Swarojgar Yojana, etc.

The Company received various recognitions and awards for its CSR activities like ASSOCHAM- CSR Excellence Award, Think Media CSR Award etc. Further, the Manager (CSR) was selected amongst 50 talented CSR leaders by world CSR congress.

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 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. 9.10 crore. As against this, the Company spent Rs. 8.36 crore on CSR projects / programs. Due to the low monetary value of individual projects in villages, the mobilization of resources was extremely challenging in terms of availability of trained manpower and contractors to complete the projects. Hence, it was not able to spend the balance amount.

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. Saroj Kumar Poddar (DIN 0008654) is due for retirement at the forthcoming Annual General Meeting and has offered himself for re-appointment.

Mr. R.N. Bansal (DIN 00270908), Independent Director retired at the last Annual General Meeting of the Company. Further, M/s. Marco P.A. Wadia (DIN 00244357), Kashi Nath Memani (DIN 00020696), Dipankar Basu (DIN 00009653) and Ms. Radha Singh (DIN 02227854) were appointed in that meeting as Independent Directors for a term of 3 consecutive years.

Mr. Dipankar Basu submitted his resignation from the Board of Directors with effect from February 3, 2015. Mr. Basu was associated with the Company for 18 years and the Company immensely benefitted from his rich knowledge and experience. The Board expresses its sincere gratitude and appreciation of the outstanding contribution made by Mr. Basu during his tenure as a Director of the Company.

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, had appointed Mr. Aditya Narayan (DIN 00012084) as an Additional Director of the Company in the category of Independent Director with effect from April 1, 2015. In pursuance of Section 149 of the Companies Act, 2013, the Board is recommending the appointment of Mr. Aditya Narayan as an Independent Director of the Company with effect from 1st April, 2015, to hold office upto the Annual general Meeting of the Company

to be held in the Year 2018. Mr. Aditya Narayan is not a relative (as defined under the Companies Act, 2013 and Rules thereunder) of any director of the Company.

The Board of Directors had re-appointed Mr. Anil Kapoor (DIN 00032299) as Managing Director of the Company for a period of 2 years with effect from February 16, 2015 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 Clause 49 of the Listing Agreement.

The Board met seven times during the Financial Year 2014-15.

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

(ii) Key Managerial Personnel

Pursuant to the provisions of the Companies Act, 2013, the Board appointed Mr. Abhay Baijal as the Chief Financial Officer of the Company and designated him Key Managerial Personnel in such capacity with effect from April 1, 2014. The Board has also designated Mr. Anil Kapoor, Managing Director and Mr. Multan Singh Rathore, Vice President – Legal, Corporate Communication and Secretary as Key Managerial Personnel, with effect from April 1, 2014. Mr. M.S Rathore will cease to be Secretary of the Company with effect from May 01, 2015. The Board has appointed Mr. Rajveer Singh as Secretary of the Company from the same date.

10. Internal Financial Controls

The Company has policies and procedures for ensuring the orderly and efficient conduct of its business including adherence to 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 and clause 49 of the listing agreement 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 2014-15.
- 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 in ordinary course of business and on arm's length basis. No material Related Party Transaction (transaction exceeding ten percent of the annual consolidated turnover

as per last audited financial statements), was entered during the year by the Company.

Accordingly, disclosure of Related Party Transactions as required under section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable.

- d) The extract of annual return is attached to this Report as Annexure "G"
- 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.

13. Directors Responsibility Statement

Your Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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, 2015 and of the profit and loss of the Company for the year ended March 31, 2015;
- 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 on Financial Statements read with the Auditors' Reports are self-explanatory and therefore, do not call for any further comments or explanations.

M/s. S. R. Batliboi & Co. LLP, Statutory Auditors (Registration No. 301003E) and M/s. Singhi & Co., Chartered Accountants (Registration No. 302049E) Branch Auditors of Shipping Business of the Company were re-appointed from the conclusion of 29th Annual General Meeting (AGM) of the Company till the conclusion of 31st AGM of the Company to be held in the year 2016. Your Directors are seeking ratification of the

appointment of M/s. S.R. Batliboi & Co. LLP, Statutory Auditors and M/s. Singhi & Co., Branch Auditors of Shipping Business of the Company from the conclusion of the ensuing 30th AGM of the Company till the conclusion of 31st 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 2014-15. 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, Practicing Company Secretaries for conducting secretarial audit of the Company for the financial year 2014-15. The Secretarial Audit Report issued by the aforesaid Secretarial Auditors is annexed herewith as Annexure "H".

There is no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report which may require explanation from the Directors.

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

The Company continuously endeavours 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 five 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 "I" 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. Fixed Deposits

Your Company has discontinued accepting new deposits with effect from July 1, 2008. As on March 31, 2015, fixed deposit amount of Rs. 133,871 pertaining to 4 depositors remained unpaid / unclaimed despite regular reminders to the concerned depositors. In addition to this, a sum of Rs. 38,735 towards interest on deposits is lying unpaid / unclaimed with the Company. Your Company has not defaulted in repayment of deposits or payment of interest during the year. The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

19. Particulars of employees

The human resource is one of the most important assets of the Company which has played pivotal role in its performance and growth. Your Company has very healthy work environment matched with adequate compensation packages which enables it to attract and retain high calibre employees. 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 "J".

20. Employees Stock Option Scheme

The members of the Company had approved CFCL Employees Stock Option Scheme 2010 ("ESOS 2010") on August 27, 2010 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. The ESOS 2010 is administered by the Nomination and Remuneration Committee of the Board of Directors of the Company. The disclosure in respect of ESOS 2010 is given in Annexure "K" attached hereto.

21. Consolidated Financial Statements

In pursuance of the provisions of the Companies Act, 2013, Rules thereunder, listing agreement with the Stock Exchanges 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 pro-active measures for investor satisfaction like timely reminders to investors about new corporate benefits, undelivered shares, unclaimed benefits, 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 2015-16.

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 the Department of Fertilisers, Government of India, State Governments, Domestic and International Financial Institutions & Banks and other stakeholders. 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 the Board of Directors

Place: New Delhi
Date: April 30, 2015

S. K. Poddar
Chairman

Annexure "A" to Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company has three businesses – Fertilisers and other Agri-inputs, Shipping and Textile. 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

(i) Raw Material

Natural Gas is the main input and constitutes the major part of cost for production of Urea. The Company uses domestic gas and imported Re-gasified Liquefied Natural Gas (RLNG) under long term and short term supply arrangements. After upward trend for few years, the Gas prices came down sharply in the international market during the year 2014-15 due to fall in prices of Crude Oil.

RLNG constitutes a major part of gas requirement of the Company. The spot gas prices came down sharply in line with the international market. The prices of long term RLNG are linked to long term average of crude oil index. Hence, the impact of current low prices of Gas in international market will gradually reflect in the long term RLNG prices over next few years. The dwindling domestic gas supply is an area of concern. The Government of India (Government) revised the prices of domestic gas during the year. The Government has recently announced the pooling of Gas for Fertiliser sector which is a positive step. However, the final contours of gas pooling mechanism are awaited.

(ii) Demand-Supply Scenario

Urea production remained almost stagnant in India for many years despite steady increase in its demand. No new capacities were added during last 15 years except revamp of few existing plants. This has resulted into significant gap between demand and supply. India imported around 8.75 million MT of Urea during the year 2014-15, constituting about 28% of the total urea consumption in the country. Imported Urea prices remained volatile during the year ranging between USD 270 and USD 360 per MT (FOB – Arabian Gulf).

(iii) Developments in Government Policies

New Pricing Scheme Stage III which was valid upto March 31, 2010, has been extended till March 31, 2015. The new government policy for existing Urea plants is awaited.

In order to reduce the dependence on imports, the Government announced a New Investment Policy 2012 (NIP) with few amendments for attracting fresh investments in Urea sector.

B) Other Products

The Company is also engaged in manufacture of Single Super Phosphate (SSP). The installed capacity of the Company for SSP is 180,000 MT per annum. The SSP market is very fragmented with many small players. Apart from its own product, the Company also sources SSP manufactured by other parties. SSP is cheaper alternative of DAP which caters to specific segment of farmers and crops.

The Company imports and supplies Di-ammonium Phosphate (DAP) and Muriate of Potash (MOP) in its marketing territory. The Company competes with large players in DAP and MOP segment. The products are sourced from reputed international manufacturers to ensure quality of the product. India imported around 3.82 million MT of DAP during the year 2014-15, about 51% of the total DAP consumption in the country. Imported DAP prices were volatile during the year. The consumption of MOP in India is entirely met out of imports. MOP imports in the country during the year were 4.18 million MT as against 3.18 million MT during the previous year. The demand of DAP and MOP remained robust during the year.

The Company also deals in other agri-inputs like Sulphur, NPK fertilisers, micro-nutrients, insecticides, herbicides, fungicides, seeds, etc. under the single window concept. The products are sourced from reputed manufacturers including multinational companies. 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 dominated by small manufactures. Hence, the products like seeds, zinc, gypsum, micro-nutrient mixtures, etc. are sourced from domestic manufacturers with tight controls on quality of the products.

1.2 Opportunities & Threats

The New Investment Policy 2012 (NIP) withheld earlier, was released during the year with few amendments. Since considerable time was taken by the Government in releasing the revised policy, the quoted prices of the suppliers for new Urea project has to be re-negotiated. Accordingly, the Company is reviewing its plans for capacity expansion for production of Urea and final decision will be taken in next few months.

The implementation of Nutrient Based Subsidy Policy by the Government gave a major boost to the Company's business of trading in branded fertilisers like DAP and MOP. The Company has established reliable supply channels in the international market and reinforced its marketing network to get full benefit of opportunities available in DAP and MOP segments. The Company has firmly established itself as a major player and achieved substantial increase in sales volumes of DAP and MOP. However, the volatility in the global prices of these fertilisers as well as variation in the foreign exchange rates are the challenges and your Company is conscious of these factors while making its marketing strategy.

Urea production beyond re-assessed capacity is becoming unviable for most of the urea manufacturing units due to increased cost of RLNG, price rise in domestic gas and fall in the international urea prices. The Company had to shut down one of its Urea plants in February 2015 because production beyond 100% capacity was not viable. The Urea industry needs immediate policy intervention from the Government to sustain the production beyond re-assessed capacity. The Company expects the Government to come out with a new policy for existing Urea Plants which can enable the Urea manufacturers to produce beyond re-assessed capacity. The proposed pooling of Gas for fertilizer industry is a positive step in this direction.

1.3 Risks and Concerns

The Urea segment of Fertiliser Industry operates in a

Government controlled regime highly dependent on the Government policies. During last few years, the Government has resorted to under-provisioning of fertilizer subsidy in the union budget. This has resulted into long delays in payment of subsidy to the fertilizer companies thereby substantially increasing industry's interest burden.

High volatility in foreign exchange rates, likely reduction in demand of DAP due to its high cost and interest burden due to delay in payment of subsidy may impact the profitability from trading activities of the Company. In the event of non-revision in Government policies on Urea, the likelihood of reduction in Urea production beyond re-assessed capacity is another area of concern.

1.4 Outlook

Subject to risks and concerns mentioned above, the Urea industry is unlikely to face any challenge in terms of sales volumes in near future in view of demand-supply gap. The outlook of branded products in trading segment also looks positive in view of lower inventory of DAP in the trade channel, strong marketing network and brand loyalty for the products of the Company.

1.5 Operational and Financial Performance

The performance of Fertilisers and other Agri-Inputs Division is summarized below:

Particulars	2014-15	2013-14
Urea Production (MT in lac)	18.52	19.41
Urea Sales (MT in lac)	18.85	20.96
Single Super Phosphate Production (MT in lac)	1.38	1.03
SSP Sales (MT in lac)	1.65	0.64
Sales including Agri-inputs (Rs. in crore)	7762.45	7014.36
EBIDTA before exceptional item (Rs. in crore)	677.80	626.75

The revenue from branded traded products was Rs. 3209.71 crore during the financial year 2014-15 in comparison to Rs. 2628.81 crore in the previous year. The sales of various products were as under:

Products	2014-15	2013-14
Di- Ammonium Phosphate	6.39	6.04
Muriate of Potash	1.99	0.42
Single Super Phosphate	0.22	0.54
Other Fertilisers	0.42	0.60
Pesticides – (Rs. in Crore)	302.94	249.67
Seeds – (Rs. in Crore)	64.97	51.56

Your Company is setting up an additional marketing office at Kolkata to expand its market presence in eastern India.

1.6 Material Developments in Human Resources/ Industrial Relations

People and Talent Management continue to be one of the key focus areas of the Company. The availability of qualified and trained manpower is critical for the Company's continued success.

Your Company's HR Strategy is aligned to business and seeks to ensure that appropriate talent acquisition and retention plans are in place and reviewed periodically. Your Company believes in regular employee engagement with a sense of belongingness.