



CHAMBAL FERTILISERS AND CHEMICALS LIMITED

MAKING INCLUSIVE DEVELOPMENT A REALITY

ANNUAL REPORT 2017-18



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DIRECTORS

Saroj Kumar Poddar
Chairman

Shyam Sunder Bhartia
Co-Chairman

Anil Kapoor
Managing Director

Nimesh Nagindas Kampani

Aditya Narayan

Chandra Shekhar Nopany

Radha Singh

Marco Philippus Ardeshir Wadia

SENIOR EXECUTIVES

Abhay Baijal
Chief Financial Officer

Abhai Kumar Bhargava
Vice President - Works

Virendra Kumar Gupta
Vice President - Marketing

Rajveer Singh
Vice President-
Legal & Secretary

AUDITORS

Price Waterhouse
Chartered Accountants LLP

COST AUDITORS

K.G. Goyal & Associates

Chambal Fertilisers and Chemicals Limited

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

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BOARD'S REPORT

Dear Members,

Your Board of Directors have pleasure in presenting the 33rd Annual Report on the business and operations of the Company together with audited financial statements for the financial year ended March 31, 2018.

1. Standalone Financial Results

(Rs. in Lakhs)

Particulars	Financial Year	
	2017-18	2016-17
Revenue from Operations	746616.60	743083.18
Other Income	15207.67	17822.69
Total Income	761824.27	760905.87
Total Expenses	689810.80	699255.38
Profit before Tax from Continuing Operations	72013.47	61650.49
Tax Expenses	24364.10	18211.22
Profit for the Year from Continuing Operations	47649.37	43439.27
Profit / (Loss) for the Year from Discontinued Operations	367.72	(929.18)
Profit for the Year	48017.09	42510.09
Other Comprehensive Income for the Year (Net of Tax)	(2126.47)	(169.43)
Total Comprehensive Income for the Year	45890.62	42340.66
Retained Earnings-Opening Balance	164699.30	136711.88
Add:		
Profit for the Year	48017.09	42510.09
Any Other Change	(24.70)	84.05
Less:		
Cash Dividend (including Dividend Distribution Tax)	9517.82	9517.90
Transfer to General Reserve	5000.00	5000.00
Re-measurement Loss on Defined Benefit Plans	16.79	88.82
Retained Earnings- Closing Balance	198157.08	164699.30

2. Operations

The Company is engaged in manufacture of Urea and Single Super Phosphate (SSP) and marketing of other Agri-inputs such as Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), NPK Fertilisers, agrochemicals, seeds, micronutrients, etc.

The production and sales of Urea and sales of MOP were higher in comparison to the previous year but there was some decrease in the DAP sales volumes. The performance of NPK fertilisers, agrochemicals and other products remained subdued.

There was marginal increase in the revenue of the Company over the previous year though the Company achieved highest ever Profit after Tax during the year under review. The Company achieved better profitability in comparison to the previous year mainly due to higher sales of Urea and MOP with efficient Urea manufacturing operations, lower finance cost and healthy margins in some of the products marketed by the Company.

The Company had executed agreements in May 2017 for sale of all the 4 ships owned by the Company. With the delivery and sale of the last ship of the Company on September 7, 2017, the Company had completed the sale / disposal of all the ships forming part of the shipping business and ceased to have shipping business operations. The shipping business operations have been shown as discontinued operations in the financial statements of the Company for the financial year 2016-17 and 2017-18.

The detailed information on the business operations of the Company and the Industry in which the Company operates is given in the Management Discussion and Analysis Report attached as **Annexure "A"** to this Report.

3. New Urea Project

The implementation of 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 Plant") is progressing satisfactorily. The Company's project team is continuously monitoring the progress and adequate measures are being taken to achieve quality and safety during the construction phase. Engineering and procurement activities have been completed as almost all itemized equipment has been received at site. The construction activities in Offsite and Utility facilities of Gadepan- III Plant are complete and commissioning of various packages is in progress. The construction activities in Ammonia-Urea plants are moving towards completion. The commercial production of Urea from Gadepan- III Plant is expected to start as per schedule in January 2019.

The Company had entered into agreements with GAIL (India) Limited and Indian Oil Corporation Limited for purchase of natural gas mainly for Gadepan-III Plant. The Company has incurred total expenditure of Rs. 393861.58 Lakhs till March 31, 2018 on Gadepan – III Plant. This project will give a major thrust to the operations of the Company by adding about 63% to the present Urea production capacity of the Company.

4. 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, 2018. The total outgo on this account will be Rs. 9517.82 lakhs including dividend distribution tax.

The Dividend Distribution Policy of the Company is attached as **Annexure "B"** to this Report. There has been no change in this policy during the year under review. This policy is also available on the website of the Company and can be accessed at the weblink - <http://www.chambalfertilisers.com/pdf/Final-Dividend-Distribution-Policy.pdf>.

5. Consolidated Financial Statements

In pursuance of the provisions of the Companies Act, 2013, Rules thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the applicable Accounting Standards, the Company has prepared Consolidated Financial Statements. The Audited Consolidated Financial Statements alongwith Auditor's Report and the Statement containing salient features of the financial statements of Subsidiaries/Joint Venture (Form AOC – 1) forms part of the Annual Report.

6. Corporate Governance Report and Code of Conduct

Your Directors strive to maintain highest standards of Corporate Governance. The Corporate Governance Report for the Financial Year 2017-18 is attached as **Annexure "C"** to this Report. The declaration of the Managing Director confirming compliance with the 'Code of Conduct and Ethics' of the Company is enclosed as **Annexure "D"** to this Report and Auditor's Certificate confirming compliance with the conditions of Corporate Governance is enclosed as **Annexure "E"** to this Report.

7. Subsidiaries and Joint Venture

The Company had eight subsidiaries and a joint venture as on March 31, 2018, the details of which are given below:

(a) Subsidiaries

(i) CFCL Ventures Limited, Cayman Islands and its subsidiaries

CFCL Ventures Limited, Cayman Islands is a subsidiary of your Company and it operates business through its subsidiaries, namely, ISGN Corporation, USA and ISG Novasoft Technologies Limited, India. Inuva Info Management Private Limited, India is a subsidiary of ISG Novasoft Technologies Limited.

ISGN Corporation, USA is engaged in designing, developing, marketing and distribution of software products for mortgage lending industry in USA. The business includes licensing of the technology products as well as providing software as a service. This business is supported by ISG Novasoft Technologies Limited, India, which is having its software development centre in India. ISGN Corporation, USA continued its focus on cost reduction including reduction in sales, general and administrative expenses. The performance of software business remained subdued during the Financial Year 2017-18. There was no business activity in Inuva Info Management Private Limited.

(ii) Other Subsidiaries

India Steamship Pte. Limited, Singapore, India Steamship International FZE, UAE, India Steamship Limited, India and Chambal Infrastructure Ventures Limited, India are wholly owned subsidiaries of your Company. There was no business activity in these subsidiaries during the year under review.

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

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

During the calendar year 2017, IMACID produced 409,160 MT of phosphoric acid against 336,984 MT produced during the calendar year 2016. Sales of phosphoric acid during the calendar year 2017 were 408,013 MT against the previous year sales of 336,341 MT.

During the calendar year 2017, IMACID achieved revenue of Moroccan Dirham (MAD) 2279.87 million (Rs. 150851.90 Lakhs) against revenue of MAD 2068.30 million (Rs.140419.38 Lakhs) achieved during the calendar year 2016. The profit after tax of IMACID was MAD 177.98 million (Rs. 11776.21 Lakhs) during the year 2017 as against MAD 12 million (Rs. 814.78 Lakhs) in the calendar year 2016. The settlement of earlier insurance claims, receipt of demurrage claims pertaining to previous years and improved margins due to lower input prices were the main factors behind better performance of IMACID.

During the quarter ended March 31, 2018, IMACID achieved operating income of MAD 559.33 million (Rs. 39308.31 Lakhs).

The performance 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 contribution of subsidiaries and joint venture to the overall performance of the Company is also provided in Note no. 51 to the Consolidated Financial Statements.

The Company shall place the audited financial statements of 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, Distt. Kota, Rajasthan, PIN-325208.

No subsidiary, associate or joint venture has been acquired or ceased / sold / liquidated during the year under review.

8. Health, Safety, Quality and Environmental Protection

Your Company believes that a safe and healthy work environment is essential for ensuring employee well-being and enhancing Company's overall performance. To maintain high standards of safe and productive workplace, your Company has formulated a Health, Safety, Security,

Environment & Quality ("HSSEQ") policy. The Company has developed systems in accordance with internationally recognized standards of OHSAS-18001:2007, ISO-14001:2015 and ISO-9001:2015. Adherence to the HSSEQ policy is continuously monitored by senior management through regular reviews. The Company strives for continuous improvement through benchmarking studies and other appropriate methodology.

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

(a) Health & Hygiene

Your Company accords highest priority to the health & hygiene of its employees and contract workers. Their health is assessed and monitored through periodic medical examinations. A well-equipped health centre at Gadepan operates round-the-clock to provide health services to employees & their families, contractor workforce and people residing in the vicinity of the plants. New medical equipment and services are continuously added to upgrade the facilities at the health centre. Specialist doctors regularly visit the health centre and three well equipped ambulances are available on round the clock basis. A well-defined hygiene monitoring system ensures that all facilities are clean and sanitized properly.

To create awareness about health and hygiene related matters, regular training programs are organized for employees & their families and contractor work-force. Various health camps and campaigns like pulse polio & swine flu vaccination, blood donation, immunization programme, etc. are also organized periodically.

(b) Safety Management

A robust safety management system is in place in your Company to ensure highest level of safety of all the employees, contractor workforce as well as equipment and machinery. Effective implementation of the safety management system is ensured through hazard identification, risk assessment and mitigation procedures, safety work permit system, etc. A strong Process Safety Management system is also in place. Before executing any maintenance job in the plants, a cross functional team reviews the jobs on a daily basis from a safety perspective and ensures that all preventive measures are taken to prevent hazards.

To maintain and improve upon the well-established safety systems, extensive trainings and drills are 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. As part of safety awareness, schemes of "Near-Miss" & "Make-to Good" reporting are in place. The employees are encouraged to report unsafe acts / conditions so that corrective action can be taken immediately.

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 are conducted to ensure its effectiveness. The Company also provides services to all neighboring villages surrounding Gadepan plants through district administration in case of any fire emergency.

(c) Environment Management

Your Company is sensitive towards the impact of its operations on the environment and gives utmost priority to environment protection. Extensive environmental monitoring is carried out to assess pollution risk to all personnel working directly or indirectly with it or residing in surrounding areas of its plants. Resource consumption (including raw materials, fuels and water), waste generation and emissions to the atmosphere are focus areas to assess impact of operations on environment.

Your Company has appropriate mechanism in place to ensure that all the environmental parameters are maintained within the permissible limits. A dedicated Environment Management Cell is in place to monitor the compliances related to environment. The Company has installed five air quality monitoring stations for continuous monitoring of pollution levels in surrounding atmosphere.

The Company has developed a vast green belt at its Gadepan complex with variety of trees and shrubs which has played a vital role in maintaining the ecological balance and provided soothing and healthy environment to the people working / residing in and around the complex. Only treated waste water is used in maintaining the green belt through irrigation network spread all over the complex.

(d) Quality Management

Your Company gives highest priority to control and maintain the quality of raw materials and end products. The Company has installed Vibro-prilller in Urea plant to improve the product quality by maintaining uniformity in prill size of Urea and reducing prill temperature. The Company has high quality equipment and instruments for monitoring of critical quality parameters. The Company look for opportunities to improve quality and efficiency and feedback from farmers, dealers and retailers is given high importance.

(e) Achievements

Your Company regularly participates in national and international surveys and awards for independent assessment and opportunity for improvement. Your Company has received FAI Environmental Protection Award in the nitrogenous fertilizer plants category for the year 2016-17 from the Fertiliser Association of India during the year under review.

9. Corporate Social Responsibility ("CSR")

Your Company has formulated a long term strategy to contribute to the well-being and development of the society especially the rural population around its plants at Gadepan. As part of its CSR initiatives, the Company is working mainly in the areas of Pre-primary & School Education, Technical & Vocational Education, Rural Development, Women Empowerment, Community Healthcare and Soil Health. This multi-pronged CSR approach is showing notable improvement in the quality of life of rural population.

The brief outline of the CSR initiatives of the Company is as under:

a) Pre-primary & School Education

Education is the flagship CSR program of your Company which covers the wide spectrum from pre-primary to secondary school education and technical education. The education program strives to provide access to quality education to more than 6600 children in

36 Aanganwadis and 37 government schools of District Kota and Baran in Rajasthan. These Aanganwadis/ schools are playing a catalytic role in changing the perception of the rural community towards education. The intervention of the Company through its CSR programs / projects is in the form of improvement in the standard of education through organizing coaching / additional classes in the schools, improvement and development of infrastructure facilities, teachers' training, computer education, digital literacy, etc. Your Company is providing free of charge advanced pre-engineering and pre-medical coaching to meritorious students. To promote digital learning and introduce technological advancements in adopted government schools, 15 smart interactive classes have been established. In addition to this, 14 Information and Communication Technology Labs have also been established in selected Government Schools under Public Private Partnership ("PPP") mode. The Computer Learning Program is providing computer education to students from 1st to 12th standard. To promote digital literacy amongst rural community, Community Information and Training Centers are being run in three villages in the vicinity of Company's plants at Gadepan. These centers are also working as community facilitation hubs for various online activities. CFDAV School is being run in collaboration with DAV College Trust and Management Society and a large number of students from villages adjoining Gadepan are getting quality education therein. During the year under review, a scheme to provide safe drinking water to the students of 14 adopted schools was taken up by installing Reverse Osmosis with water cooler systems.

b) Technical and Vocational Education

Your Company had adopted Industrial Training Institute (ITI) of Sangod, Sultanpur, Baran and Jhalawar. In addition to this, the Company has also adopted ITI, Khanpur (District Jhalawar, Rajasthan) under PPP mode. The Company has got CSR Excellence Award - 2018 for Skill Development from the Government of Rajasthan. ASSOCHAM has awarded Gold Trophy to ITI Jhalawar in recognition of outstanding contribution and Certificate of Merit in Best ITI- Skill Development through PPP Model (2016-2017). The employees of the Company take active participation in management of these ITIs. During academic year 2017-18, various companies had conducted 'On-campus Placement Drives' for ITI students and large number of students got placement offers. In order to improve the employability of the trainees, various short term courses like Occupational Health and First Aid, Fire and Safety, Spoken English and Personality Development were also organized in these ITIs. In addition to this, a new short term course "Nursery Development & Management" has been started under "KISMAT- Knowledge Integrated Skills Modules for Agriculture, Horticulture and Animal Husbandry Training" project in PPP mode at ITI Baran. The Company has developed Sports complex and upgraded other infrastructure facilities in ITI Sultanpur, Sangod, Baran & Jhalawar to develop these ITIs as model institutes.

To develop skill sets amongst youth, especially girls, four vocational training centers are being run in Gadepan, Simliya, Palaitha and Kundanpur villages. During the financial year 2017-18, 177 youths were trained in various skills and linked to various livelihood activities.

c) Rural Development

The Company believes that development and maintenance of rural infrastructure is critical for overall development of the society. A significant investment has been made by the Company for development of rural infrastructure. Three adjoining Gram Panchayats - Gadepan, Bhonra and Sarola have received provisional "Open Defecation Free" status from Government of Rajasthan during the Financial Year 2017-18. An advanced solid waste management system is being developed in Gadepan gram panchayat. In order to develop 'Gadepan' as a model village, various facilities like community hall, village pond, approach roads, street lights and haat bazaar are under planning/ progress in convergence with various agencies. The Company has also implemented various other rural development projects in PPP mode with Government / Government agencies in the villages near its plants at Gadepan.

d) Health Care

Your Company is facilitating community by providing free of charge preventive healthcare facilities in villages near its plants at Gadepan. The awareness camps were organised in 33 schools, 26 villages and 4 ITIs. During the Financial Year 2017-18, nearly 28,000 community members were contacted in various health campaigns and general & specialized health camps. The healthcare facilities were also being provided in remote villages of Tehri and Dehradun Districts in Uttarakhand.

e) Employability and Empowerment

In order to promote livelihood opportunities in rural areas, especially for women and youth, your Company has taken several initiatives. A garment production house has been started with the women of the nearby villages adjoining Gadepan which is providing livelihoods to women of the marginalized community.

Your Company has also supported in formation of 36 Self Help Groups wherein around 350 women of nearby villages are facilitated for inter-loaning, saving and entrepreneurial activities. A Self Help Group shop is also being established where women can sell their handmade / homemade products under one brand name.

f) Soil Health

The Company is running two agriculture development laboratories in Agra and Gadepan (shifted from Kota) and three mobile soil testing vans in Rajasthan and Uttar Pradesh. The objective behind this initiative is to help the farmers in optimum utilisation of nutrients.

The composition and terms of reference of Corporate Social Responsibility Committee are given in the Corporate Governance Report. The Annual Report on CSR activities (including the details of the development and implementation of the Corporate Social Responsibility Policy) as prescribed under Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as **Annexure "F"** to this Report.

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.1113.06 Lakhs. As against this, the Company had spent Rs. 1118.50 Lakhs on CSR projects / programs during the Financial Year 2017-18.

10. Directors and Key Managerial Personnel

The Board of Directors of the Company consists of eight directors. There are seven non-executive directors including four independent directors and a Managing Director. During the year, the Managing Director has not received any commission or remuneration from any subsidiary of the Company.

Mr. Kashi Nath Memani (DIN: 00020696), ceased to be a Director of the Company upon completion of his tenure at the Annual General Meeting ("AGM") of the Company held on September 15, 2017. Further, the shareholders of the Company at the AGM held on September 15, 2017 had re-appointed Mr. Marco Philippus Ardeshir Wadia (DIN: 00244357) and Ms. Radha Singh (DIN: 02227854) as Independent Directors of the Company for a further term of 5 (five) consecutive years, that is, upto September 14, 2022.

Mr. Nimesh Nagindas Kampani (DIN: 00009071) was appointed as an Independent Director of the Company at the AGM held on September 15, 2017 to hold office for a term of 3 (three) consecutive years from September 15, 2017 to September 14, 2020.

Mr. Saroj Kumar Poddar, Director (DIN: 00008654) is due for retirement at the forthcoming AGM and has offered himself for re-appointment

The tenure of appointment of Mr. Aditya Narayan, Independent Director shall expire on the conclusion of the ensuing AGM scheduled to be held on September 18, 2018. Mr. Aditya Narayan has requested the Board of Directors not to consider him for re-appointment. The Board of Directors expresses its sincere gratitude and appreciation of the contribution of Mr. Aditya Narayan as an Independent Director 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 Listing Regulations.

In pursuance of the provisions of Section 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Anil Kapoor, Managing Director, Mr. Abhay Bajjal, Chief Financial Officer and Mr. Rajveer Singh, Vice President – Legal & Company Secretary are Key Managerial Personnel of the Company. During the year, there was no change in the Key Managerial Personnel.

The Board met five times during the financial year 2017-18.

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

11. Internal Financial Controls

The Company has policies and procedures in place for ensuring 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 as **Annexure "A"** to this Report.

12. Remuneration Policy

In pursuance of the provisions of Section 178 of the Companies Act, 2013 and Listing Regulations, the Company has formulated a Remuneration Policy which is attached as **Annexure "G"** to this Report and available at the website of the Company at the weblink-<http://www.chambalfertilisers.com/pdf/Remuneration-Policy.pdf>.

The Remuneration Policy, *inter-alia*, includes the appointment criterion & qualification requirements, process for appointment & removal, retirement policy and remuneration structure & components, etc. of the Directors, Key Managerial Personnel (KMP) and other senior management personnel of the Company. As per the Remuneration Policy, a person proposed to be appointed as Director, KMP or other senior management personnel should be a person of integrity with high level of ethical standards. In case of appointment as an independent director, the person should fulfill the criteria of independence prescribed under the Companies Act, 2013, rules framed thereunder and the Listing Regulations. The Remuneration Policy also contains provisions about the payment of fixed & variable components of remuneration to the Managing Director and payment of sitting fee & commission to the non-executive directors and describes fundamental principles for determination of remuneration of senior management personnel and other employees which are as follows:

- a) demand-supply relationship of the concerned job expertise;
- b) need of organization to retain and attract talent and its ability to pay;
- c) employees' social aspiration for enhancing standard of living; and
- d) compensation trends in the industries in which the Company operates.

In view of sale and disposal of all the ships of the Company during the year and discontinuation of the shipping business, the necessary updations were made in the Remuneration Policy of the Company by deleting the provisions / references related to shipping business.

13. Disclosures under the Companies Act, 2013, Rules thereunder and Secretarial Standards

- a) Your Company has not issued any shares during the Financial Year 2017-18.
- 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 and in the ordinary course of business. No material Related Party Transactions (transaction(s) exceeding ten percent of the annual consolidated turnover of the Company as per last audited financial statements), were entered during the year by the Company. Accordingly, disclosure of contracts or arrangements with Related Parties 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 as **Annexure "H"** to this Report.

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- e) The following information is given in the Corporate Governance Report attached as **Annexure "C"** to this Report:
 - 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, the secretarial auditors and cost auditors have not reported any fraud under Section 143(12) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.
 - h) The Company has complied with the applicable Secretarial Standards prescribed under Section 118(10) of the Companies Act, 2013.

14. Directors Responsibility Statement

Your Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have 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, 2018 and of the profit and loss of the Company for the year ended March 31, 2018;
- 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.

15. Auditors and Cost Auditors

The Notes to the Financial Statements read with the Auditor's Reports are self-explanatory and therefore, do not call for further comments or explanations. There has been no qualification, reservation, adverse remark or disclaimer in the Auditor's Reports.

The shareholders of the Company, at the AGM held on September 15, 2017, has appointed M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016) as Auditors of the Company to hold office for a term of 5 (five) consecutive years from the conclusion of Thirty-second AGM of the Company held on September 15, 2017 till the conclusion of Thirty-seventh AGM of the Company (subject to ratification of such appointment at every AGM, if so required under the Companies Act, 2013). In pursuance of the relevant provisions of the Companies (Amendment) Act, 2017 made effective vide notification dated May 7, 2018 issued by the Ministry of Corporate Affairs, Government of India, the provision under Section 139 of the Companies Act, 2013 related to ratification of appointment of auditors at every AGM has been omitted. Accordingly, the ratification of appointment of auditors of the Company at the forthcoming AGM of the Company is not required.

The Board of Directors of the Company has appointed M/s. K.G. Goyal & Associates, Cost Accountants for conducting audit of cost accounts of the Company, as applicable, for the financial year 2018-19. As required under the Companies Act, 2013 and Rules framed thereunder, your Directors are seeking ratification from the members of the Company for the remuneration payable to M/s. K.G. Goyal & Associates, Cost Accountants.

16. Secretarial Audit

In pursuance of the provisions of Section 204 of the Companies Act, 2013, the Board of Directors of the Company had appointed M/s. RMG & Associates, Company Secretaries for conducting secretarial audit of the Company for the financial year 2017-18. The Secretarial Audit Report issued by the aforesaid Secretarial Auditors is attached as **Annexure "I"** to this Report.

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

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

The energy efficient operation of plants results into manifold benefits in the form of saving of natural and financial resources and reduction of carbon footprint. The Company takes continuous initiatives to make its manufacturing facilities energy efficient. 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 to this Report.

18. Risk Management

Your Company has developed and implemented a Risk Management Policy. The Company has voluntarily 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 reviewed by the Audit Committee and the Board of Directors periodically.

19. Deposits

During the year, the Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013. There was no public deposit outstanding as at the beginning and end of the financial year 2017-18.

20. Particulars of employees

The human resource is an important asset which has played pivotal role in the performance and growth of the Company over the years. Your Company maintains very healthy work environment and the employees are motivated to contribute their best in the working of the Company. The 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, is attached as **Annexure "K"** to this Report.

21. Employees Stock Option Scheme

The members of the Company had approved CFCL Employees Stock Option Scheme 2010, as amended and revised from time to time ("ESOS 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 Company has not granted any stock options during the year under review.

There has been no change in ESOS 2010 during the financial year 2017-18. ESOS 2010 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("ESOP Regulations") and implemented through CFCL Employees Welfare Trust ("Trust"). For the purpose of ESOS 2010, the Trustee of the Trust was holding 16,96,900 equity shares of the Company as on March 31, 2018 (22,47,902 equity shares as on March 31, 2017), being 0.41% of the paid up share capital of the Company. 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 during the financial year 2017-18.

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-2018.pdf>. The disclosures in respect of ESOS 2010 are also given in the notes to the Financial Statements.

22. Business Responsibility Report

In pursuance of the provisions of the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from environmental, social and governance perspective forms part of the Annual Report.

23. Investor Service Centre

The in-house Investor Service Centre of your Company is located in the Corporate Office of the Company at New Delhi which provides prompt and efficient service to the investors. The Company takes various initiatives for investor satisfaction such as reminders to investors about 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 2018-19.

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

24. Acknowledgements

The Board of Directors wish to place on record its appreciation of the co-operation extended by all the stakeholders including the Department of Fertilisers, Government of India, Government of Rajasthan and other State Governments, Financial Institutions & Banks, investors and customers. The Board of Directors also convey its sincere appreciation of the commitment and dedication of the employees at all levels.

For and on behalf of Board of Directors

Place : New Delhi
Date : May 10, 2018

Saroj Kumar Poddar
Chairman