

# Annual Reports Librar

28<sup>th</sup>

ANNUAL REPORT

(2001-2002)

Report  Junction.com



नेशनल फर्टिलाइजर्स लिमिटेड  
एन. एफ. एल.  
NATIONAL FERTILIZERS LIMITED

**NATIONAL FERTILIZERS LIMITED**

(A Government of India Undertaking)

# Annual Reports Librarian

## CONTENTS

▪ BOARD OF DIRECTORS	:	2
▪ MANAGEMENT TEAM	:	3
▪ NOTICE OF ANNUAL GENERAL MEETING	:	4-5
▪ DIRECTORS' REPORT	:	6-8
▪ DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION (FORM-A AND FORM-B) (ANNEXURE TO DIRECTORS' REPORT)	:	9-10
▪ MANAGEMENT DISCUSSION & ANALYSIS REPORT (ANNEXURE TO DIRECTORS' REPORT)	:	11-14
▪ CORPORATE GOVERNANCE REPORT (ANNEXURE TO DIRECTORS' REPORT)	:	15-21
▪ COMPLIANCE CERTIFICATE TO CORPORATE GOVERNANCE (ANNEXURE TO DIRECTORS' REPORT)	:	22
▪ MANAGEMENT'S COMMENTS TO THE OBSERVATIONS OF AUDITORS ON CORPORATE GOVERNANCE (ANNEXURE TO DIRECTORS' REPORT)	:	23
▪ COMMENTS IN THE AUDITORS' REPORT AND MANAGEMENT REPLIES THERETO (ANNEXURE TO DIRECTORS' REPORT)	:	24
– COMMENTS OF THE C&AG OF INDIA AND THE MANAGEMENT'S REPLIES THERETO (ANNEXURE TO DIRECTORS' REPORT)	}	SEE SEPARATE SHEETS
– REVIEW OF ACCOUNTS BY C&AG OF INDIA (ANNEXURE TO DIRECTORS' REPORT)		
▪ AUDITORS' REPORT	:	25-26
▪ ANNEXURE TO AUDITORS' REPORT	:	27-28
▪ SIGNIFICANT ACCOUNTING POLICIES	:	29-30
▪ BALANCE SHEET	:	31-32
▪ PROFIT & LOSS ACCOUNT	:	33-34
▪ SCHEDULES (A-M)	:	35-56
▪ BALANCE SHEET ABSTRACTS & COMPANY'S GENERAL BUSINESS PROFILE	:	57
▪ CASH FLOW STATEMENT	:	58
▪ PERFORMANCE AT A GLANCE	:	59-60
▪ PROXY FORM & ATTENDANCE SLIPS	:	61

# Annual Reports Library

## BOARD OF DIRECTORS

**P.S. Grewal**  
*Chairman & Managing Director*

**A.C. Saini**  
*Director (Technical)*

**S.C. Chhatwal**  
*Director (Finance)*

**G.S. Mangat**  
*Director (Marketing)*

**Balvinder Kumar**  
*Jt. Secretary (A&M)  
Deptt. of Fertilizers*

**K. Muthukumar**  
*Director  
(Nominee of IDBI)*

# Annual Reports Library

## MANAGEMENT TEAM

### REGISTERED OFFICE:

SCOPE Complex, Core-III  
7, Institutional Area, Lodhi Road,  
New Delhi-110003

### CORPORATE OFFICE:

A-11, Sector-24  
District Gautam Budh Nagar  
NOIDA (U. P.) 201301

### BOARD LEVEL

<b>P.S. Grewal</b>	<i>Chairman &amp; Managing Director</i>
<b>A.C. Saini</b>	<i>Director (Technical)</i>
<b>S.C. Chhatwal</b>	<i>Director (Finance)</i>
<b>G.S. Mangat</b>	<i>Director (Marketing)</i>

### CORPORATE HEADS

Vigilance	<b>Sukhcharan Singh</b>	<i>Chief Vigilance Officer</i>
Personnel, Industrial Relations, Administration & Public Relations	<b>N.K. Gupta</b>	<i>Executive Director</i>
Marketing	<b>O.P. Kaviraj</b>	<i>Executive Director</i>
Corporate Planning	<b>Y.K. Mattoo</b>	<i>Chief General Manager</i>
Management Services	<b>T.P. Malik</b>	<i>General Manager</i>
Personnel & Administration	<b>S.K. Bhatia</b>	<i>General Manager (HR)</i>
Technical	<b>V.K. Goel</b>	<i>General Manager</i>
Finance & Accounts	<b>S.C. Dhawan</b>	<i>Dy. General Manager</i>
Materials Management	<b>H.S. Mann</b>	<i>Dy. General Manager</i>
Company Sectt. and Legal	<b>A.K. Maitra</b>	<i>Company Secretary</i>

### UNITS HEADS

NANGAL UNIT	<b>S.K. Mehta</b>	<i>Executive Director</i>
VIJAI PUR UNIT - I & II	<b>B.M. Ritolia</b>	<i>Executive Director</i>
PANIPAT UNIT	<b>S.S. Dandona</b>	<i>General Manager, I/c.</i>
BATHINDA UNIT	<b>C.M. Nagpaul</b>	<i>General Manager, I/c.</i>

### BANKERS

State Bank of India  
Bank of India  
Union Bank of India  
Punjab National Bank  
State Bank of Patiala  
State Bank of Hyderabad

### AUDITORS

H.S. RUSTAGI & CO  
New Delhi  
V.C. GAUTAM & CO  
New Delhi

# uaat Reports Librarian

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the Members of the National Fertilizers Ltd. will be held on 'Friday', the 27th September, 2002 at 3.30 P.M. at Auditorium, SCOPE Complex, Core-VIII, 7, Institutional Area, Lodi Road, New Delhi-110003, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To consider declaration of dividend.
3. To elect a director in place of Shri Balvinder Kumar, Director, who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors be and are hereby authorised to fix the remuneration of Auditors to be appointed by the Comptroller and Auditor General of India and to reimburse out of pocket expenses incurred by them for carrying out the audit, of the financial year 2002-2003."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
**"RESOLVED THAT** as recommended by the Board of Directors pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, Statutory Audit Fee of Rs.3.75 lakhs plus Service Tax for the financial year 2000-2001 be and is hereby approved to be shared jointly by the Statutory Auditors' M/s. H.S. Rustagi & Co. and M/s. V.C. Gautam & Co."

By Order of the Board of Directors



**A.K. Maitra**  
Company Secretary

Place: New Delhi  
Date: 27th August, 2002

# Annual Reports Library

Annual Report : 2001-2002

## Notes (forming part of notice)

1. Section 619 of the Companies Act, 1956 provides for appointment of Auditors of the Company by the Comptroller and Auditor General (C&AG) of India. Further, Section 224 (8)(aa) of the said Act provides that the remuneration of the Auditor appointed under Section 619 of the Act *ibid* by the C&AG shall be fixed by the Company in general meeting or in such manner as the Company in general meeting may determine. Company has already requested the C&AG to appoint the auditors for the financial year 2002-2003.
2. The Board of Directors in their 266th meeting held on 29th June, 2001 have recommended to raise the Statutory Audit Fee from Rs.3.00 lakhs to Rs.3.75 lakhs plus Service Tax for the financial year 2000-2001 for approval of Company Law Board. Department of Company Affairs has advised that remuneration of the Auditors may be fixed in terms of provisions of Section 224(8)(aa) inserted by Companies (Amendment) Act, 2000.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. Proxy Form should be lodged with the company at its registered office not later than forty eight hours (48 hours) before the scheduled time of the meeting (Blank Proxy Form is enclosed).
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 13th September, 2002 to Friday, the 27th September, 2002 (both days inclusive).
5. Only Members carrying the Attendance Slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of joint holders, only first named shareholder or proxy appointed by him/her will be permitted to attend the meeting.
6. The Dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 27th September, 2002 being the date of the Annual General Meeting of the Company. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose names appear in the statement furnished by the Depositories for the purpose.
7. Members holding shares in physical form are requested to notify immediately change in their address, if any, with Pin Code to the Company Secretary or Registrar & Share Transfer Agents M/s MAS Services Pvt. Ltd. AB-4, Safdarjung Enclave, New Delhi-110029, quoting their Folio Number, Banker's Name and Account Number.
8. Members desirous of getting any information about the accounts and operation of the Company are requested to address their queries to the Company Secretary at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
9. Members are requested to bring the copies of Notice, Annual Accounts and attendance slip at the time of the meeting to quote their Folio Nos. in all correspondence.

By Order of the Board of Directors

**A.K. Maitra**  
Company Secretary

Dated: 27th August, 2002.

### Registered Office:

SCOPE Complex, Core-III, 7, Institutional Area,  
Lodhi Road, New Delhi-110003.

To,

1. All Members of the Company.
2. Auditors' of the Company.

Copy to:

1. Executive Director, Stock Exchange, Delhi, Mumbai, Kolkata, Chennai.
2. All the Directors.

# Annual Reports Librarian

## DIRECTORS' REPORT

**Dear Members,**

Your Directors have pleasure in presenting the 28th Annual Report of the Company together with Audited Accounts for the financial year ended March 31, 2002.

### FINANCIAL RESULTS AND APPROPRIATIONS

PARTICULARS	2001-2002	2000-2001
Turn over	2943.13	2808.74
Profit before Interest & Depreciation	269.91	246.27
Depreciation	111.54	104.62
Interest	110.04	121.98
Net profit after Interest & Depreciation	48.33	19.67
Provision for Taxation (Net of refund of tax)	(-) 1.00	(+) 7.64
Deferred Tax Liability	(-) 6.72	-
Profit after Tax	40.61	27.31
Transfer from Investment Allowance Reserve	52.36	-
Transfer from Profit & Loss Account	366.28	-
(Accumulated Profit)		
<b>Appropriations</b>		
Proposed Dividend	98.12	8.19
Corporate Tax on Dividend	-	0.84
Transfer to General Reserve	18.59	3.66
Profit carried forward to Balance Sheet	342.54	14.62

The sales turn over during the year was Rs.2943.13 crores showing an increase of 4.78% over the previous year (previous year Rs.2808.74 crores). The net profit before taxation for the year is Rs.48.33 crores as compared to Rs.19.67 crores for the previous year. The profits have shown an upward trend because of higher production and decrease in interest, salary & wages and repairs & maintenance. The Sundry Debtors (Net) have come down from Rs.540.47 crores as on 31st March, 2001 to Rs.513.85 crores as on 31st March, 2002.

### DIVIDEND

Your Board recommends dividend @ 20% on the paid up Equity Capital of

Rs.490.58 crores for the year ended 31st March 2002 (previous year 1.67%) for your approval. The total outgo on this account will be Rs.98.12 crores.

### CORPORATE GOVERNANCE

As members are aware, the Company's shares are listed at Stock Exchanges of Delhi, Mumbai, Chennai and Kolkata.

(Rs./Crores)



**Shri P.S. Grewal**

Chairman & Managing Director

- i) However, the accounting treatment for serviceable spare parts and standby assemblies pulled out upon replacement and machinery spares already put to use has been consistently followed by the Company since inception in line with the practice followed by the industry. The accounting treatment for the same is governed by AS-10.
- ii) The stocks lying in silo have been valued at lower of cost of production or net realisable value representing Retention Price Subsidy minus estimated expenditure (rebates and discounts) likely to be incurred for making sale of such stocks as well as freight subsidy, which have not been considered in arriving at net realisable value as stocks have not moved out of the factory and no freight subsidy accrue thereon, which is as per AS-2. However, Auditors are of the view that Freight (Net of Freight Subsidy) to be incurred on silo stock and other charges

As per Clause 49 of the Listing Agreement, Management Discussion & Analysis Report and Corporate Governance Report are annexed hereto and form part of the Directors' Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of the provisions of Section 217 (2AA) of the Companies Act 1956, your Directors make the following statement: -

1. that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed and there was no material departure from the Accounting Standards: -

# Annual Reports Library

Annual Report : 2001-2002

(except rebate and discounts) to be incurred on sale of stock in hand should have been considered in arriving at net realisable value for valuation of inventories as per AS-2.

iii) The Company is primarily in the business of manufacture and sale of urea, hence, there is no separate reportable segment for the purpose of reporting under AS-17 as per Management's view. Auditors are of the view that Company has not reported segment results in line with AS-17.

2. that Directors had selected such Accounting Policies and applied them consistently and made judgements 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 on March 31, 2002 and of the profit for the financial year ended 31st March, 2002.

3. that Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

4. that Directors have prepared the Annual Accounts on a going concern basis.

## CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Your Company strives to make the plants energy efficient and continuously reviews various schemes to conserve energy. Information in accordance with provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of

energy & technology absorption is as per Annexure and forms part hereof.

## FOREIGN EXCHANGE EARNINGS & OUTGO

During the year under review, foreign exchange earnings and outgo were as follows:

(Rs./Crores)

	2001-2002	2000-2001
(a) Earnings	1.99	1.98
(b) Outgo	2.48	8.02
Design, Engineering, Procurement, Licence and know-how		
(c) Others	234	0.99

## DIRECTORATE

Shri Balvinder Kumar, Joint Secretary (Administration & Movement), Department of Fertilizers, was appointed as an Additional Director on the Board of the Company on 7th June, 2001 and was elected to the office of Director in the Annual General Meeting held on 28.09.2001.

Shri S.C. Chhatwal has joined as Director (Finance) on 16th August, 2001. Shri Chhatwal has been formerly Director (Finance) with Indian Tourism & Development Corporation Ltd. (ITDC). Shri Chhatwal has wide experience in the field of Financial Management, Accounts and Taxation.

Shri G.S. Mangat has joined as Director (Marketing) on 27th June, 2002. Shri Mangat has Masters Degree in Agriculture. Shri Mangat has been formerly with KRIBHCO as Zonal Manager (North) and has rich experience in marketing of fertilizers.

Shri S.K. Patra, who had been Director (Marketing) since 15th June 1998 had been relieved as Director (Marketing) of the Company w.e.f. 13th June, 2001.

Shri H.S. Kamath, Chairman & Chief Executive, Heavy Water Board, Mumbai has relinquished the position of Director on 30th June, 2002 on his superannuation from the Heavy Water Board.

Shri Suresh Chandra, Joint Secretary & Financial Adviser, Department of Fertilizers has resigned on 5th July, 2002 as Director of the Company consequent upon his elevation as Additional Secretary & Development Commissioner (SSI), Department of Small Scale Industries, Govt. of India.

In accordance with letter No. 130/16/97(B)-HR-1, dated 04.08.1999 and subsequent letter of even number, dated 23.07.2001, on completion of their tenures, S/Shri S. Gopalan, K.S. Subbiah and Dr. O.P. Sahni ceased to be Directors of the Company with effect from 3rd August, 2002. Shri A.V. Singh has also ceased to be a Director of the Company with effect from 14th August, 2002.

Your Directors sincerely place on record their appreciation for the contributions made by Shri S.K. Patra, Shri H.S. Kamath, Shri Suresh Chandra, Shri S. Gopalan, Shri K.S. Subbiah, Dr. O.P. Sahni and Shri A.V. Singh as Directors on the Board of your Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Balvinder Kumar, Director will be retiring by rotation at the ensuing Annual General Meeting (AGM) and is eligible for reappointment as Director. Other information on the Directors is provided in Annexure on Corporate Governance.

## AUDITORS & THEIR REPORT

M/s. H.S. Rustagi & Co., Chartered Accountants, New Delhi and M/s. V.C. Gautam & Co. Chartered Accountants, New Delhi have been appointed as Joint Statutory Auditors of the Company for the year 2001-02 by the Comptroller & Auditor General of India. The members in the last Annual General Meeting have



# Annual Reports Librarian

authorised the Board of Directors to fix the remuneration of the auditors for the year 2001-2002.

The Report of the Auditors together with Management's replies to the points referred to in the Report and annexure thereto, as also the Comments and Review of Accounts by the Comptroller & Auditor General of India along with the Replies of the Management are annexed hereto and form part of the Directors' Report.

#### **PARTICULARS OF EMPLOYEES**

Information in accordance with Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is 'NIL'.

#### **ACKNOWLEDGEMENTS**

The Directors wish to place on record their appreciation to all employees for their unstinting efforts in ensuring an excellent all round operational performance despite an otherwise difficult economic environment during the year.

Your Board also places on record its appreciation towards the Company's valued customers for the support and confidence reposed by them in the Organisation and looks forward to the continuance of their support, in future.

The Board also acknowledges the support and guidance received from

various Ministries of the Govt. of India, particularly the Department of Fertilizers. Your Directors also express their thanks to the Comptroller and Auditor General of India.

The Board also wishes to place on record its appreciation of the continued cooperation received from all the suppliers and the support provided by the bankers and financial institutions. The Board also wishes to place on record its deep gratitude to all the members of NFL family, whose dedication, hard work and cooperation have made it possible for the Company to show good performance.

For and on behalf of the Board of Directors of  
National Fertilizers Limited

**P.S. GREWAL**  
CHAIRMAN & MANAGING DIRECTOR

Place : New Delhi.  
Dated : 27th August, 2002

Report Junction.com

## FORM-A

### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY (Annexure to Directors' Report)

		2001-2002	2000-2001	
<b>A.</b>	<b>POWER &amp; FUEL CONSUMPTION</b>			
<b>1.</b>	<b>ELECTRICITY</b>			
<b>(a)</b>	<b>Purchased</b>			
	Unit (MWH)	320183	211917	
	Total amount (Rs./lakhs)	9420.35	8004.94	
	Average rate/Unit (Rs.)	2942	3777	
<b>(b)</b>	<b>Own Generation</b>			
<b>(i)</b>	<b>Through diesel generator Unit</b>			
	Unit (MWH)	2.551	8.118	
	Unit per Ltrs. of diesel oil	0.001	0.002	
	Cost/Unit	18830	9812	
<b>(ii)</b>	<b>Through Steam Turbine/Gas Turbine</b>			
	Unit (MWH)	522649	494603	
	Coal/Unit of Power MT	0.797	0.714	
	Oil/Unit of Power MT	0.031	0.041	
	Gas/Unit of Power 000'SM <sup>3</sup>	0.173	0.176	
	Cost per Unit (Rs.)	1766	1729	
<b>(iii)</b>	<b>From Waste Steam (MWH)</b>			
<b>2.</b>	<b>Coal (Specify quality &amp; where used)</b> (Slack coal used for operating boilers)			
	Quantity (MT)	1325381	1179702	
	Total cost (Rs./lakhs)	25110.61	21640.59	
	Average rate (Rs.)	1895	1834	
<b>3.</b>	<b>Furnace Oil/LSHS</b>			
	Quantity (K.Ltrs.)	117714	124055	
	Total cost (Rs./lakhs)	12576.67	14122.39	
	Average rate (Rs.)	10684	11384	
<b>4.</b>	<b>Other/Internal Generation</b>			
	<b>Natural Gas</b>			
	Quantity, 000'M <sup>3</sup>	71219	104534	
	Total cost (Rs./lakhs)	2799.37	4151.00	
	Rate/Unit (Rs.)	3931	3971	
	<b>Naptha</b>			
	Quantity (K.Ltrs)	173891	129733	
	Total cost (Rs./Lakhs)	16004.55	14343.47	
	Rate/Unit (Rs.)	9204	11049	
<b>B.</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>			
		<b>2001-2002</b>		<b>2000-2001</b>
		<b>Budgeted</b>	<b>Actuals</b>	<b>Actuals</b>
(i)	Electricity (MWH)	0.231	0.220	0.207
(ii)	Fuel oil (Te.)	0.069	0.074	0.085
(iii)	Coal (MT)	0.821	0.847	0.860
(v)	Gas M3	124.26	124.88	123.84