

30th

Annual Report 2003-2004



एनएफएल लिमिटेड
NATIONAL FERTILIZERS LIMITED

NATIONAL FERTILIZERS LIMITED

(A Govt. of India Undertaking)

NFL - Farmers' Friend, Nation's Pride



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

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BOARD OF DIRECTORS



Shri P. S. Grewal
Chairman & Managing Director



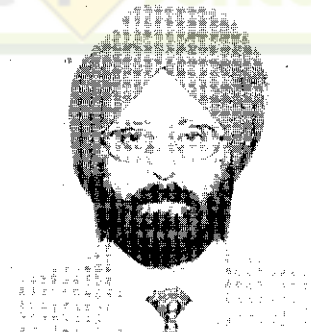
Shri G.S. Mangat
Director (Marketing)



Shri R. Jayamani
Director (Technical)



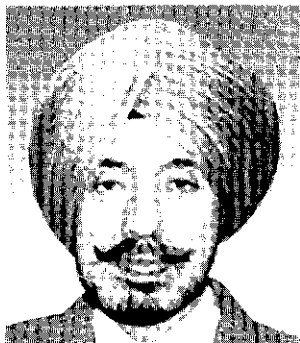
Ms. Gayathri
Ramachandaran
Addl. Secy. & Fin. Advisor
Deptt. of Fertilizers



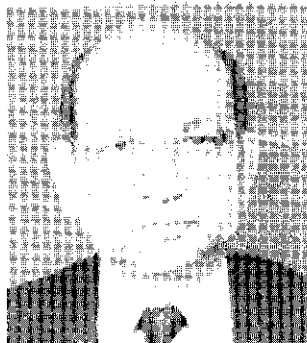
Shri T.S. Laschar
Economic Advisor
Deptt. of Fertilizers



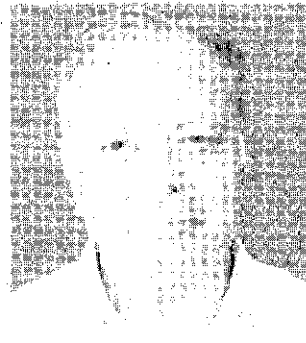
Shri S. Gopalan
Director



Shri A.S. Sidhu
Director



Shri Hemendra Kumar
Director



Shri J. Nehru
Director



Prof. K.D.P. Nigam
Director

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

P. S. Grewal
 Chairman & Managing Director
 G.S. Mangat
 Director (Marketing)
 R. Jayamani
 Director (Technical)

CORPORATE HEADS

Vigilance	Ajay Mankotia	Chief Vigilance Officer
Indl. Products/Agri. Services	M.L. Narendran	Chief General Manager
Technical	V.K. Goel	Chief General Manager
Management Services	T.P. Malik	General Manager
Finance & Accounts	S.C. Dhawan	General Manager I/c.
Personnel & Administration	V.K. Sharma	General Manager (HR) I/c.
Marketing	K.B. Sachdev	General Manager
Materials Management & Corporate Planning	H.S. Mann	General Manager
Company Sectt. & Legal	A.K. Maitra	Company Secretary

UNITS HEADS

Nangal Unit	R.K. Dixit	Chief General Manager
Bathinda Unit	C.M. Nagpaul	Chief General Manager
Panipat Unit	K. S. Gill	General Manager I/c.
Vijaipur Unit - I & II	V.K. Grover	Chief General Manager

BANKERS

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

AUDITORS

S.K. Mehta & Co.
 New Delhi
 Shiromany Tyagi & Co.
 New Delhi

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**NATIONAL FERTILIZERS LIMITED**

(A Govt. of India Undertaking)

REGD. OFFICE : Scope Complex, Core-III,

7 Institutional Area, Lodhi Road, New Delhi – 110 003.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the Members of the NATIONAL FERTILIZERS LTD. will be held on 'Wednesday', the 29th September, 2004 at 3.30 PM. at SCOPE Auditorium, SCOPE Complex, Core-VIII, 7, Institutional Area, Lodhi 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, 2004 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To consider declaration of dividend.
3. To appoint a director in place of Shri S. Gopalan, who retires by rotation and is eligible for reappointment.
4. To appoint a director in place of Shri A. S. Sidhu, who retires by rotation and is eligible for reappointment.
5. To fix the remuneration of Auditors of the Company appointed by the Comptroller and Auditor General of India.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Shri Hemendra Kumar who was appointed as an Additional Director of the Company by the Board of Directors under Article 76(5) of the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Shri J. Nehru who was appointed as an Additional Director of the Company by the Board of Directors under Article 76(5) of the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Prof. K.D.P Nigam who was appointed as an Additional Director of the Company by the Board of Directors under Article 76(5) of the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board of Directors

(A.K.Maitra)

Company Secretary

New Delhi

3rd September, 2004

NOTES:

1. Section 619 of the Companies Act, 1956 provides for appointment of Auditors of the Company by the Comptroller and Auditor General (CAG) 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 CAG shall be fixed by the Company in general meeting or in such manner as the Company in general meeting may determine.
2. 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. Proxies in order to be effective must be lodged with the Company at its Registered Office not less than forty eight hours (48 hours) before the scheduled time of the meeting. The Proxy Form is enclosed at the end of the Annual Report.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 16th September, 2004 to Wednesday, the 29th September, 2004 (both days inclusive).
4. **The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business Item No.6 to 8 above is annexed hereto.**
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, at the Annual General Meeting of the Company will be paid to those members whose names appear:-
 - (a) as beneficial owners' as at the end of the business on 15.09.2004 as per the beneficial owners' position to be downloaded by M/s. NSDL and CDSL in respect of shares held in electronic form and
 - (b) as Members in the Register of Members of the Company after giving effect to all valid transfers in physical form lodged with the Company on or before 15.09.2004.
 - (c) Members are hereby informed that the dividend which remain unclaimed/unencashed over a period of 7 years are to be transferred by the Company to the Investor Education and Protection Fund constituted by the Central Government under Section 205(A) and 205(C) of the Companies Act, 1956.

The following are the details of dividends paid by the Company and respective due dates of transfer of unclaimed dividend to such fund of the Central Government.

Dividend Year	Date of declaration of Dividend	Due date of transfer to the Government
1997-98	30.09.1998	06.11.2005
1998-99	29.09.1999	05.11.2006
1999-00	27.09.2000	03.11.2007
2000-01	28.09.2001	04.11.2008
2001-02	27.09.2002	03.11.2009
2002-03	26.09.2003	05.11.2010

In view of the above, the Members are advised to send all the unencashed dividend warrants pertaining to the above period to the Company for revalidation and subsequent encashment, before the due date for transfer to the aforesaid fund.

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.

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8. Members desirous of getting any information about the accounts and operations 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 available at the meeting.
9. Members holding shares in the electronic form are advised that address/bank details as furnished to the Company by the respective depositories viz. NSDL and CDSL will be printed on the dividend warrant.
10. Members are requested to bring the copy of Annual Report and Attendance Slip at the time of meeting and to quote their Folio Nos. in all correspondence.

By Order of the Board of Directors

(A.K.Maitra)
Company Secretary

Place : NEW DELHI
3rd September, 2004

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Annexure To The Notice

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out the material facts relating to the business mentioned in Item No.6 to 8 of the accompanying Notice dated 3rd September, 2004:

ITEM NO.6

On nomination by the President of India, vide Department of Fertilizers communication No.130/18/2001-HR-1 dated 22nd October, 2003, Shri Hemendra Kumar was appointed as an Additional Director of the Company w.e.f. 31.10.2003 and vacates his office of directorship at this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. The Notice under Section 257 of the said Act has been received proposing the name of Shri Hemendra Kumar as a candidate for the office of Director of the Company.

Aged about 62, Shri Hemendra Kumar is a retired IAS officer of 1967 batch and retired from service in the year 2002. Shri Kumar holds a Post Graduate Degree in Physics and also awarded with MBA Degree by the Leeds University, U.K. He has rich administrative experience at state and central government level. He has held various assignments, which include Special Secretary in the Ministry of Agriculture looking after Crops; Horticulture, Fertilizers and other sectors. He is also a Member of Audit Committee of your Company.

None of the Directors of the Company except Shri Hemendra Kumar is in any way concerned or interested in the resolution. The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO.7

On nomination by the President of India, vide Department of Fertilizers communication No.130/18/2001-HR-1 dated 22nd October, 2003, Shri J. Nehru was appointed as an Additional Director of the Company w.e.f. 31.10.2003 and vacates his office of directorship at this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. The Notice under Section 257 of the said Act has been received proposing the name of Shri J. Nehru as a candidate for the office of Director of the Company.

Aged about 63, Shri J. Nehru holds degree in B.E. (Hons.) Mechanical Engineering. He had a distinct career with varied professional experience spanning over 27 years. He demitted office as Chairman & Managing Director of Hindustan Fertilizer Corporation Ltd. He served many public sector/government organizations like Engineering Projects India Ltd., BHEL, etc. Shri Nehru is presently working as an Arbitrator for Indian Council of Arbitrators, Engineering Projects (I) Ltd., etc. He is also a Member of Audit Committee of your Company.

None of the Directors of the Company except Shri J. Nehru is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

ITEM NO.8

On nomination by the President of India, vide Department of Fertilizers communication No.130/18/2001-HR-1 dated 22nd October, 2003, Prof. K. D. P Nigam was appointed as an Additional Director of the Company w.e.f. 31.10.2003 and vacates his office of directorship at this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. The Notice under Section 257 of the said Act has been received proposing the name of Prof. K. D. P Nigam as a candidate for the office of Director of the Company.

Aged about 57, Prof. K. D. P Nigam is Ph.D. in Chemical Engineering. He is head of Chemical Engineering, I.I.T. Delhi. Prof. Nigam has served as a member of Scientific Advisory Committee of Ministry of Petroleum & Natural Gas, Government of India. He is also member of different Research Advisory Committees like FAI, EIL, IOC. He is actively involved in the academia and industry interaction for energy conservation for fertilizer industry.

None of the Directors of the Company except Prof. K. D. P Nigam is in any way concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

By Order of the Board of Directors

(A.K.Maitra)
Company Secretary

Place : New Delhi
3rd September, 2004.

REGD OFFICE:

Scope Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi – 110 003.

DIRECTORS' REPORT

Dear Members,
Your Directors have pleasure in presenting the 30th Annual Report together with audited accounts for the financial year ended March 31, 2004.

Import Parity Price has been considered, instead of Group Concession Rate for determination of realizable value (wherever IPP is

1. FINANCIAL RESULTS AND APPROPRIATIONS

(Rupees in crores)		
PARTICULARS	2003-2004	2002-2003
Turn-over	3387.62	3653.71 *
Profit before Interest & Depreciation	329.24	688.24
Depreciation	175.78 **	167.90
Interest	31.50	71.91
Net profit after Interest & Depreciation	121.96	448.43
Provision for Taxation (Net of refund of tax)	88.65	129.33
Deferred Tax (-) [Liability/(+)Asset]	51.72	(-)32.83
Profit after Tax	85.03	286.27
Transfer from Investment Allowance - Reserve	-	32.17
Transfer from Profit & Loss Account	293.91	342.54
(Accumulated Profit)		
Appropriations		
Proposed Dividend	25.51	300.00
Corporate Tax on Dividend	3.33	38.44
Transfer to Capital Reserve	0.97	-
Transfer to General Reserve	8.50	28.63
Profit carried forward to Balance Sheet	340.63	293.91

*Rs.475.78 crore for 7th/8th Pricing Arrears.

**Includes Rs.57.94 crores debited to prior period expenses.

The sales turnover of Rs.3387.62 crores includes subsidy of Rs.1657.17 crores received during the year under the Retention Price Scheme. The interest cost for 2003-2004 was Rs.31.50 crores compared to Rs.71.91 crores during the previous year. The lower interest cost is attributable to reduction in rates of cash credit, WCDL and lower average monthly cash credit utilization.

In view of the revised Government Policy relating to regulation of subsidy for production beyond 100% capacity,

low) in respect of urea stocks lying in silo after despatches upto 100% of capacity. Consequently the profit for the year is lower by 24.43 crores.

2. DIVIDEND

The Board recommends dividend of Rs.0.52 per equity share on 49,05,78,400 of Rs.10.00 each (previous year Rs.6.12 per share). The total outgo on this account will be Rs.28.85 crores including Dividend Tax of Rs.3.33 crores.



Shri P. S. Grewal
Chairman & Managing Director

3. MANAGEMENT DISCUSSION & ANALYSIS

A report on Management Discussion and Analysis, forming part of this report, pursuant to Clause 49 of the Listing Agreement, interalia adequately deals with the operations as also current and future prospects of the Company.

4. CORPORATE GOVERNANCE

Pursuant to the provisions of Clause 49 of the Listing Agreement, Corporate Governance Report is annexed hereto and forms part of the Directors' Report.

5. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of the provisions of section 217 (2AA) of the Companies Act 1956, your Directors confirm as follows: -

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

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.

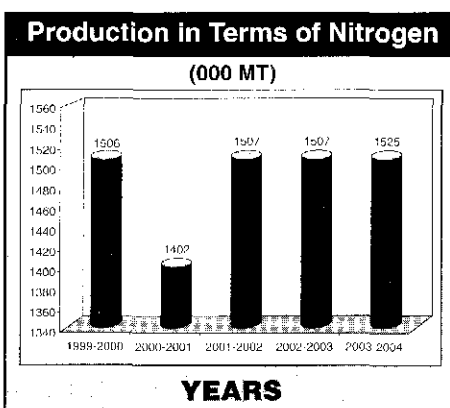
ii. that Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2004 and of the profit for the financial year ended 31st March, 2004.

iii. that Directors have 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

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

6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Company strives to make the plants energy efficient and has been constantly implementing the various schemes to conserve energy.



Disclosure in terms of Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are as per annexure and form part of this report.

7. DIRECTORATE

1. Shri R. Jayamani has joined as Director (Technical) on 1st August, 2003.
2. S/Shri Hemendra Kumar, Jawahar Nehru and Prof. K.D.P Nigam have been appointed Additional Directors on 31st October, 2003 and will hold office upto the ensuing Annual General Meeting.
3. Shri Vijay Singh, formerly Addl.

Secretary and Financial Advisor, Department of Fertilizers, remained on the Board of Directors from 25th October, 2002 to 17th April, 2003.

4. Smt. Suman Swarup, IAS, Addl. Secretary & Financial Adviser, Govt. of India, Department of Fertilizers, who had been initially appointed as Additional Director on 30th April, 2003 and was subsequently elected at the Annual General Meeting held on 26th September, 2003 has ceased to be a Director w.e.f. 16th February, 2004 on relinquishing the charge of Addl. Secretary & Financial Advisor, Department of Fertilizers.
5. Ms. Gayathri Ramachandran, Addl. Secretary & Financial Advisor, Government of India, Department of Fertilizers, has been appointed as a Director on 16th July, 2004 to fill the casual vacancy caused due to the vacating of office as a Director by Mrs. Suman Swarup. Ms. Gayathri is to hold office till the date of outgoing director Mrs. Swarup would have held that office.
6. Shri A.C. Saini has retired as Director (Technical) on 31st July, 2003 on attaining the age of superannuation.
7. Shri Balvinder Kumar, Joint Secretary (A&M), Department of Fertilizers, has ceased to be a Director of the Company w.e.f. 30th July, 2004.
8. Shri Tejinder Singh Laschar, Economic Advisor, Department of Fertilizers, Govt. of India has been appointed as a Director on 12th August, 2004 to fill the casual vacancy caused due to the vacating of office as a Director by Shri Balvinder Kumar. Shri Laschar is to hold office till the date of outgoing director Shri Balvinder Kumar would have held that office.



Farmers on Plant visit at Nangal