



नेशनल फर्टिलाइज़र्स लिमिटेड

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NATIONAL FERTILIZERS LIMITED

ANNUAL

REPORT

2004 - 2005

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ANNUAL ACCOUNTS

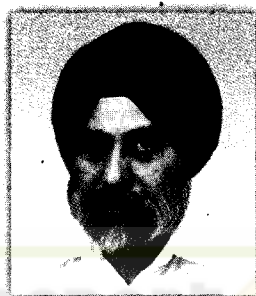
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BOARD OF DIRECTORS



P. S. Grewal

Chairman & Managing Director



G.S. Mangat

Director (Marketing)



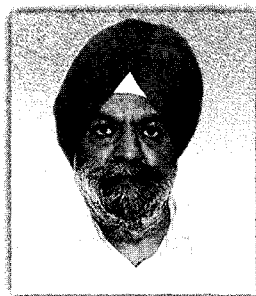
R. Jayamani

Director (Technical)



G. Natesan

Director (Finance)



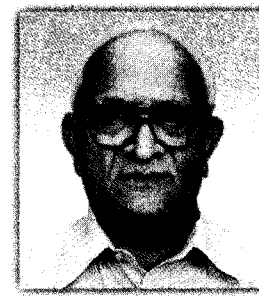
Dr. Jivtesh Singh Maini

Addl. Secy. & Fin. Advisor
Deptt. of Fertilizers



T.S. Laschar

Economic Advisor
Deptt. of Fertilizers



S. Gopalan

Director



A.S. Sidhu

Director



Hemendra Kumar

Director



J. Nehru

Director



Prof. K.D.P. Nigam

Director

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

MANAGEMENT TEAM**BOARD LEVEL****P. S. Grewal**

Chairman & Managing Director

G.S. Mangat

Director (Marketing)

R. Jayamani

Director (Technical)

G. Natesan

Director (Finance)

CORPORATE HEADS

Vigilance	Ajay Mankotia	Chief Vigilance Officer
Projects & Materials Management	V. K. Grover	Executive Director
Technical	V.K. Goel	Executive Director
Indl. Products/Agri. Services	M.L. Narendran	Chief General Manager
Finance & Accounts	S.C. Dhawan	Chief General Manager
Marketing	K.B. Sachdev	Chief General Manager
Human Resource & Public Relations	H.R. Varma	General Manager (HR) I/c
Internal Audit & Corporate Planning	H. S. Mann	General Manager
Management Services	S.R. Satyapalan	Dy. General Manager
Company Sectt. & Legal	A.K. Maitra	Company Secretary

UNITS HEADS

Nangal	Binay Kumar	Chief General Manager
Bathinda	V. K. Sharma	Chief General Manager
Panipat	K. S. Gill	Chief General Manager
Vijaipur I & II	O. P Gupta	General Manager I/c

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

REGISTRAR & TRANSFER AGENTS

MAS Services Pvt. Ltd.
AB-4, Safdarjung Enclave
New Delhi-110029



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Members of National Fertilizers Ltd. will be held on 'Wednesday', the 28th September, 2005 at 3.30 PM. at SCOPE 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, 2005 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, if any.
3. To appoint a director in place of Prof. K.D.P Nigam, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Hemendra Kumar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a director in place of Shri J. Nehru, who retires by rotation and being eligible, offers himself for reappointment.
6. To fix remuneration of the statutory Auditors for the financial year 2005-06.

SPECIAL BUSINESS

7. To appoint Dr. Jivtesh Singh Maini, Addl. Secretary and Financial Advisor, Department of Fertilizers, Government of India as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :-

"RESOLVED THAT Dr. Jivtesh Singh Maini 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 appoint Shri Vijay Chhibber, Joint Secretary, Department of Fertilizers, Government of India as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-

"RESOLVED THAT Shri Vijay Chhibber 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."

9. To delist the shares of the Company from Delhi, Calcutta and Madras Stock Exchanges, and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED THAT, subject to the necessary approvals if any required under the SEBI (Delisting of Securities) Guidelines, 2003 and other applicable Rules, if any, approval be and is hereby accorded to the Board of Directors for delisting the equity shares of the Company from Delhi, Calcutta and Madras Stock Exchange."

"FURTHER RESOLVED THAT the Company has no intention to give an exit option to those shareholders of Delhi, Calcutta and Madras Stock Exchange regions as the equity shares of NFL continue to be listed on Bombay Stock Exchange. Further, application is being made to list NFL's Equity Shares with National Stock Exchange Ltd."

By Order of the Board of Directors

A.K. Maitra
Company Secretary

Place : New Delhi
Date : 30th August, 2005

31st Annual Report 2004-2005**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 Auditors 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. Member of the Company 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 Blank Proxy Form is annexed.
3. Member/Proxy holder must bring the attendance slip to the meeting and hand it over at the entrance duly signed.
4. The Register of Members and Share Transfer Books of the Company will be closed from Friday, the 16th September, 2005 to Wednesday, the 28th September, 2005 (both days inclusive) for the purpose of payment of dividend on equity shares for the year ended 31st March, 2005, if approved in the Annual General Meeting of the Company, to the shareholders whose names appear:
 - a) As Beneficial Owners as at the end of 15th September, 2005, as per the list to be furnished by the Depositories in respect of the shares held in electronic form, and
 - b) As Member in the Register of Members of the Company after giving effect to all valid share transfer in physical form which are lodged with the Company/Registrar & Share Transfer Agent on or before 15th September, 2005.
5. Member 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.
6. Members holding shares in the electronic form are advised that address and bank details as furnished to the Company by the respective depositories viz. NSDL and CDSL will be printed on the dividend warrant.
7. The following are the details of dividends paid by the Company and respective due dates of transfer of unclaimed dividend to Investor Education and Protection Fund of the Central Government.

Dividend Year	Date of declaration of Dividend	Due date of Transfer to the Government
1997-98	30.09.1998	07.11.2005
1998-99	29.09.1999	06.11.2006
1999-00	27.09.2000	04.11.2007
2000-01	28.09.2001	05.11.2008
2001-02	27.09.2002	04.11.2009
2002-03	26.09.2003	03.11.2010
2003-04	29.09.2004	06.11.2010

Dividend for the financial year ended 31st March, 1998 which remains unpaid or unclaimed will be due for transfer to the Investor Education Protection Fund of the Central Government (IEPF) later this year pursuant to the provisions of Section 205(A) of the Companies Act, 1956. Members who have not encashed their Dividend Warrants for the year ended 31st March, 1998 or any subsequent financial year(s) are requested to correspond with Company Secretary for revalidation and subsequent encashment before the due date for transfer to the aforesaid fund. Members are advised that in terms of the provisions of Section 205(C) of the Companies Act, 1956, once unclaimed dividend is transferred to Investor Education Protection Fund, no claim shall lie in respect thereof.

8. 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.
9. The Register of Director's Shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
10. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the Registered Office of the Company.
11. Company is extending the Electronic Clearing Service (ECS) facility to the shareholders, which will enable them to receive dividend through electronic mode. Under ECS arrangement, the dividend amount will directly be credited to the bank account of the shareholder. A separate communication detailing the benefits of ECS is being enclosed.
12. Members who are holding physical shares in more than one Folio are requested to intimate to the Company/Registrar & Share Transfer Agents the details of all their Folio numbers for consolidation into a single Folio.
13. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the directors seeking appointment/re-appointment in the forthcoming Annual General Meeting is annexed.
14. 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 prior to the date of Annual General Meeting.
15. The relevant Explanatory Statement pursuant to to Section 173 of the Companies Act, 1956 in respect of business item No. 6 to 8 above is annexed hereto.

By Order of the Board of Directors

A.K. Maitra
Company Secretary

Place : New Delhi

Date : 30th August, 2005

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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 9 of the accompanying Notice dated 1st September, 2005:

ITEM NO.7

On nomination by the President of India, Board in their meeting held on 5th May, 2005 appointed Dr.Jivtesh Singh Maini, as Additional Director of the Company under Article 76(5) of the Article of Association and Section 260 of the Companies Act, 1956.

Dr. Jivtesh Singh Maini is a senior IAS Officer and has held many administrative position with the Central and State Governments. He is at present Addl. Secretary and Financial Advisor with the Department of Fertilizers, Govt. of India. Dr. Maini is also a part-time Director on the Board of Krishak Bharti Cooperative Ltd. (KRIBHCO) and Madras Fertilizers Limited.

The Company has received Notice in writing proposing the candidature of Dr. Jivtesh Singh Maini as Director, liable to retire by rotation in terms of Section 257 of the Act.

None of the Directors except Dr. Jivtesh Singh Maini is in any way concerned or interested in the resolution.

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

ITEM NO.8

On nomination by the President of India, Board in their meeting held on 30th August, 2005 appointed Shri Vijay Chhibber, Joint Secretary, Deptt. of Fertilizers, as Additional Director of the Company under Article 76(5) of the Articles of Association and Section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting.

Shri Chhibber is a Senior IAS Officer with vast experience in administration. He has held various senior positions in State as well as Central Government. He is at present Joint Secretary, Department of Fertilizers, Government of India. He is also Director on the Board of Directors of Fertilizers and Chemicals Travancore Limited (FACT).

The Company has received Notice in writing proposing the candidature of Shri Vijay Chhibber as Director, liable to retire by rotation in terms of Section 257 of the Act.

None of the Directors except Shri Vijay Chhibber is in any way concerned or interested in the resolution.

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

ITEM NO.9

The Company's shares are actively traded only on Bombay Stock Exchange. Company is in the process of having its shares listed on National Stock Exchange also. It is felt that the Company's shares may be delisted from other exchange viz. Delhi Stock Exchange, Calcutta Stock Exchange and Madras Stock Exchange as there has been no active trading on these exchanges.

None of the Directors is in any way concerned or interested in the resolution.

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

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 31st Annual Report together with audited accounts for the financial year ended March 31, 2005.

1. FINANCIAL RESULTS AND APPROPRIATIONS

the profit by Rs. 49.76 crores.

2. DIVIDEND

During the year, Board of Directors have declared and disbursed an interim dividend of Rs.17.17 crores. Board of Directors have recommended a final dividend of

PARTICULARS	Rs in crores	
	2004-05	2003-04
Turnover	3474.06	3387.62
Profit before Interest & Depreciation	357.91	329.25
Depreciation	121.14*	175.78*
Interest	22.22	34.36
Net profit after Interest & Depreciation	214.55	119.11
Provision for Taxation (Net of refund of tax)	(-)73.96	(-)85.79
Deferred Tax [Liability(-)/Asset (+)]	20.32	51.72
Profit after Tax	160.91	85.04
Transfer from Profit & Loss Account (Accumulated Profit)	340.63	293.91
Appropriations		
Dividend		
i) Interim Dividend	17.17	-
ii) Proposed	31.10	25.51
Corporate Tax on Dividend		
i) Interim	2.25	-
ii) Proposed	4.36	3.33
Transfer to Capital Reserve	-	0.97
Transfer to General Reserve	16.09	8.50
Profit carried forward to Balance Sheet	430.57	340.63

*Includes Rs.0.57 crore for the year and Rs 57.94 crores for previous year.

The sales turnover of Rs.3474.06 crores includes subsidy of Rs.1747.58 crores received during the year under the New Price Scheme.

The increased profit for the year under report viz-a-viz 2003-2004 is attributed to increased production, sale of withheld silo stocks, savings in energy consumption, savings in marketing expenses and savings in interest expenses. However, Stage-II of pricing policy has off-set

Rs.48.27 crores (inclusive of interim dividend of Rs17.17 crores) After adjusting the interim dividend, the net dividend payable, if approved by the Members, would be Rs.31.10 crores. Dividend Payment including Interim Dividend works out to Re.0.98 per equity share on 49,05,78,400 shares of Rs.10/- each (previous year Rs.0.52 per share). The total outgo on this account will be Rs.54.88 crores including corporate dividend tax.



Shri P. S. Grewal
Chairman & Managing Director

3. MANAGEMENT DISCUSSION & ANALYSIS REPORT

A report on Management Discussion and Analysis (MDA), forming part of this report, interalia adequately deals with the operations as also current and future prospects of the Company.

4. CORPORATE GOVERNANCE

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

5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm that: -

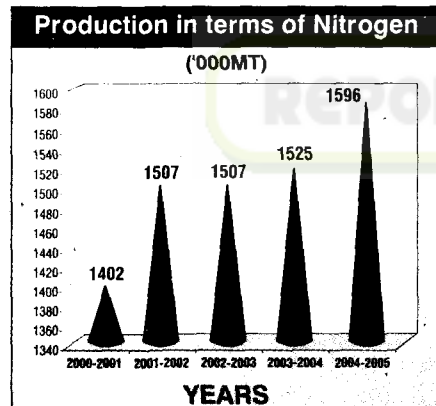
- that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed by the Company.
- that Directors had selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2005 and of the profit for that period.

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- 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

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

- Shri G. Natesan has joined as Director (Finance) on 1st February, 2005.
- Ms. C.R. Gayathri, formerly Addl. Secretary & Financial Advisor, Government of India, Department of Fertilizers, who had been appointed Director on 16th July, 2004 to fill the casual vacancy caused due to the vacating of office as a Director by Mrs. Suman

Swarup (upto 16.02.2004) has ceased to be director of the Company w.e.f. 01.10.2004.

- Shri Ashok Chawla, formerly Addl. Secretary and Financial Advisor, Department of Fertilizers, has remained as Director on the Board w.e.f. 21.10.2004 to 25.04.2005.
- Dr. Jivtesh Singh Maini, Addl. Secretary & Financial Advisor, Department of Fertilizers, was appointed as Additional Director on 11.05.2005 and will hold office upto the date of ensuing AGM and is eligible for reappointment.
- Shri Balvinder Kumar, Formerly Joint. Secretary (A&M), Department of Fertilizers, has remained on the Board w.e.f. 07.06.2001 to 30.07.2004.
- Shri Tejinder Singh Laschar, Economic Advisor, Department of Fertilizers, was appointed as Director on 12.08.2004 and held office upto 23.08.2005.
- Shri Vijay Chhibber, Joint Secretary, Department of Fertilizers, was appointed as Additional Director on 30.08.2005 and will hold office upto the date of ensuing AGM and is eligible for reappointment.

Board of Directors place on record

their sincere appreciation for the contributions made by the outgoing Directors.

S/Shri Hemendra Kumar, J. Nehru and Prof. K.D.P Nigam, Directors, who retire by rotation and being eligible have offered themselves for reappointment

In accordance with the provisions of Section 257 of the Companies Act, 1956, the Company has received notices signifying candidature of Dr. Jivtesh Singh Maini and Shri Vijay Chibber for election to the office of Director at the ensuing Annual General Meeting.

8. AUDITORS & THEIR REPORT

M/s. Shiromany Tyagi & Co. and M/s. Faruqui & Co. have been appointed as statutory auditors for the financial year 2005-06 by the Comptroller and Auditor General of India and their remuneration shall be fixed by the Shareholders in Annual General Meeting or in such manner as the Shareholders in Annual General Meeting may determine in accordance with the provisions of Section 224(8)(aa) of the Companies (Amendment) Act, 2000. The Board of Directors recommends the resolution regarding fixation of fee of Statutory Auditors for 2005-06.



Shri P. S. Grewal, C&MD receiving National Productivity Award from Shri Sharad Pawar, Union Minister for Agriculture.