

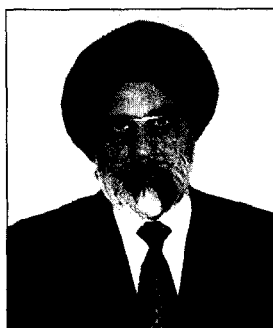
# 32<sup>nd</sup> Annual Report 2005-2006



**NATIONAL FERTILIZERS LIMITED**  
(A Govt. Of India Undertaking)

*NFL - Farmers' Friend, Nation's Pride*

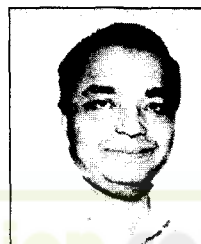
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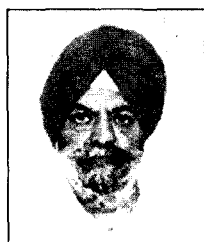
G.S. Mangat  
Chairman & Managing Director



G. Natesan  
Director (Finance)



V.K. Sharma  
Director (Technical)



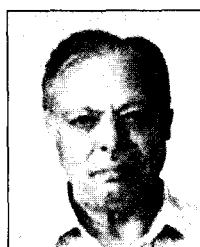
Dr. Jivtesh Singh Maini  
Addl. Secy. & Fin Advisor  
Deptt. of Fertilizers



Vijay Chhibber  
Joint Secy. (A&M)  
Deptt. of Fertilizers



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****G.S. Mangat**

Chairman & Managing Director

**G. Natesan**

Director (Finance)

**V. K. Sharma**

Director (Technical)

**Corporate Heads**

Vigilance

Ajay Mankotia

Chief Vigilance Officer

Corporate Planning

V.K. Goel

Executive Director

Marketing

K.B. Sachdev

Chief General Manager

Finance & Accounts

Rakesh Sahai

Chief General Manager

Technical

O.P. Gupta

Chief General Manager

Human Resource & Public Relations

K. B. Verma

Chief General Manager (HR)

Materials Management

A.K. Dhingra

General Manager

Internal Audit

S.R.P. Bhatnagar

General Manager

Management Services

N.R.Satyapalan

Dy. General Manager

Company Sectt. & Legal

A.K. Maitra

Company Secretary

**Unit Heads**

Nangal

Binay Kumar

Chief General Manager

Panipat

K.S. Gill

Chief General Manager

Bathinda

V.K. Bansal

General Manager I/c

Vijaipur I & II

S.M. H. Rizvi

Chief General Manager

**Bankers**

State Bank of India

State Bank of Hyderabad

State Bank of Patiala

Bank of India

Punjab National Bank

Union Bank of India

Oriental Bank of Commerce

**Auditors**

Shiromany Tyagi & Co.

New Delhi

Faruqui & Co.

New Delhi

**Registrar & Transfer Agents**

MAS Services Pvt. Ltd.

AB-4, Safdarjung Enclave

New Delhi - 110029



## NATIONAL FERTILIZERS LIMITED

Registered Office: Scope Complex, Core-III, 7-Institutional Area, Lodhi Road, New Delhi-110003

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32<sup>nd</sup> Annual General Meeting of the Members of National Fertilizers Limited will be held on Wednesday, the 27<sup>th</sup> September, 2006 at 3.30 P.M. at SCOPE Auditorium, SCOPE Complex, Core-VIII, 7, Institutional Area, Lodhi Road, New Delhi - 110 003, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2006 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 for the financial year ended 31<sup>st</sup> March, 2006.
3. To appoint a director in place of Dr. J.S. Maini, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Vijay Chhibber, who retires by rotation and being eligible, offers himself for reappointment.
5. To fix remuneration of the Statutory Auditors for the financial year 2006-07.

#### SPECIAL BUSINESS

6. To delist the shares of the Company from Delhi, Kolkata and Chennai Stock Exchanges, and to consider and, if thought fit, to pass with or without modification, the following resolution as a **Special 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, Kolkata and Chennai Stock Exchanges".

**"FURTHER RESOLVED THAT** the Company shall not give any 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."

By Order of the Board of Directors

A.K. Maitra  
Company Secretary

Place: New Delhi  
Date: 28<sup>th</sup> August, 2006

#### NOTES:

##### 1. APPOINTMENT OF PROXY

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll to vote instead of himself. The proxy need not be a member of the company. A blank form of proxy is enclosed herewith and, if intended to be used, it should be returned duly completed at the registered office of the Company not less than forty-eight hours before the scheduled time of the commencement of 32<sup>nd</sup> Annual General Meeting.

##### 2. APPOINTMENT OF AUTHORISED REPRESENTATIVES

No person shall be entitled to attend or vote at the meeting as a duly authorized representative of any body corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy by the Chairman of the meeting at which it was passed, has been deposited at the Registered Office of the Company not less than forty eight hours before the scheduled time of the commencement the meeting.

3. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business item 6 above is annexed hereto.
4. Brief resume of the Directors proposed for re-appointment is given as Annexure to the Directors' Report.

##### 5. CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Members and Share Transfer Books of the Company will remain closed from 16<sup>th</sup> September, 2006 to 27<sup>th</sup> September, 2006 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.



**6. PAYMENT OF DIVIDEND**

Dividend as declared in the Annual General Meeting will be paid to those shareholders whose names appear:

- a. 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 15<sup>th</sup> September, 2006; and
- b. In respect of the shares in electronic form on the basis of beneficial ownership furnished by National Securities Depositories Ltd. (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose as at the end of 15<sup>th</sup> September, 2006.

Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Company Secretary or Registrar & Share Transfer Agents M/s. MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi 110 029 in respect of their physical shares quoting their folio number.

**7. BANK MANDATE FOR DIVIDEND OR ELECTRONIC CLEARING SERVICES (ECS)**

- a. In order to protect the investors from fraudulent encashment of warrants, the members are requested to furnish their Bank Account Number (Current/Savings), the name of the Bank and Branch where they would like to deposit the dividend warrants for encashment, whenever dividend is declared by the Company.

These particulars will be printed on the Dividend Warrant besides the name of the shareholders, so that these warrants cannot be encashed by anyone other than the shareholder.

The above mentioned details should be furnished by the first/sole holder, directly to their respective Depositories in respect of shares held in electronic form and in case of shares held in physical form to the Company Secretary or Registrar & Share Transfer Agent M/s. MAS Services Pvt. Ltd., AB-4, Safdarjung Enclave, New Delhi 110 029.

- b. The Company is providing the facility of ECS to all shareholders, holding shares in electronic and physical form. The detailed information letter about the ECS facilities is annexed. This facility could also be used by the shareholders instead of Bank mandate system for receiving the credit of dividends, whenever dividend is declared by the Company.

**8. UNCLAIMED DIVIDEND**

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 as amended, dividend amount remaining unclaimed and unpaid for a period of seven years from the date of payment, is required to be transferred to the Investor Education and Protection Fund (IPF) of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the financial year 1998-99 which remains unclaimed is due to be transferred to the said account after 30<sup>th</sup> September, 2006 and for further years commencing from 1999-2000 onwards on their respective due dates.

Members who have not yet claimed their dividend warrants are requested to make their claims to the Company before the expiry of the stipulated period of 7 years as stated above.

9. Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956, by nominating in the Form-2B (given elsewhere in the Annual Report) any person to whom their shares in the Company shall vest in the event of their death.

**10. APPOINTMENT OF AUDITORS**

Section 619(2) of the Companies Act, 1956 provides for appointment of the Auditors of the Government 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 Auditors appointed under Section 619(2) of the Act ibid by the Comptroller & Auditor General of India shall be fixed by the Company in General Meeting or in such manner as the Company in General Meeting may determine.

Comptroller & Auditor General of India has appointed the following firms as Joint Statutory Auditors of the Company for the financial year 2006-07:-

1. M/s. Faruqui & Company,  
211, Delhi Chamber, Delhi Gate,  
New Delhi 110 002.
2. M/s. Shiromany Tyagi & Company,  
18, Netaji Subhash Marg,  
Darya Ganj, New Delhi.

The General Meeting may authorize the Board to fix an appropriate remuneration for the year 2006-07.

**11. COMPUSORY TRADING OF SHARES OF THE COMPANY IN DEMATERIALISED (DEMAT) FORM**

The shares of the Company are compulsorily traded in dematerialized mode. The Company has signed agreements with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depositories Service (India) Limited (CDSL).

**12. INSPECTION OF REGISTERS AND DOCUMENTS**

All the documents referred to in the accompanying notice, explanatory statement and the Register of Directors' shareholding and the Register of Contracts maintained under Sections 307 and 301 of the Companies Act, 1956 respectively are open for inspection at the registered office of the Company upto the date of Annual General Meeting. Register of Directors' shareholding shall be open for inspection upto 3 days after the Annual General Meeting.



### 13. SHAREHOLDER QUERIES

In case you have any query relating to the enclosed Annual Accounts or about the operations of the Company you are requested to send the same to the Company Secretary at the Registered Office of the Company at least seven days before the date of Annual General Meeting so that the information can be made available at the meeting.

### 14. ATTENDANCE SLIP-CUM ENTRY PASS

For the convenience of the shareholders, attendance slip-cum-entry pass is annexed to the Annual Report, Shareholders/Proxy holders/Authorised Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue. Proxy/Authorised Representatives of shareholders should state on their attendance slip-cum-entry pass as 'Proxy' or 'Authorised Representatives' as the case may be.

By Order of the Board of Directors

A.K. Maitra  
Company Secretary

Place: New Delhi  
Date: 28<sup>th</sup> August, 2006

## 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 of the accompany Notice dated the 28<sup>th</sup> August, 2006:

### Item No. 9

During the last Annual General Meeting of the Members held on the 28<sup>th</sup> September, 2005 an ordinary resolution was passed by the Members authorizing the Board of Directors to delist the equity shares of the Company from Delhi, Kolkata and Chennai Stock Exchanges as the Company's shares are actively traded only on Bombay Stock Exchange.

When applications were made for delisting of Company's Shares from the above three Stock Exchanges they informed that the same is required to be supported by a **Special Resolution** passed by the Company instead of an Ordinary Resolution.

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.

By Order of the Board of Directors

A.K. Maitra  
Company Secretary

Place: New Delhi  
Date: 28<sup>th</sup> August, 2006

## DIRECTORS' REPORT



Shri G.S. Mangat  
Chairman & Managing Director

**Dear Members,**

Your Directors have pleasure in presenting the 32<sup>nd</sup> Annual Report together with the Audited Accounts for the financial year ended March 31, 2006.

### 1 FINANCIAL RESULTS AND APPROPRIATIONS

(Rs. in crores)

| PARTICULARS                                      | 2005-06       | 2004-05  |
|--|---------------|----------|
| Turnover   | 3590.53       | 3474.06  |
| <b>Profit before Interest &amp; Depreciation</b> | <b>312.21</b> | 357.91   |
| Depreciation                                     | 124.51        | 121.14   |
| Interest   | 8.40          | 22.22    |
| Net profit before tax                            | 179.30        | 214.55   |
| Provision for Taxation (including FBT)           | (-)85.19      | (-)73.96 |
| Deferred Tax [Assets](net)                       | 22.29         | 20.32    |
| Profit after Tax                                 | 116.40        | 160.91   |
| Brought Forward from last year                   | 430.57        | 340.63   |
| Profit available for appropriation               | 546.97        | 501.54   |
| <b>Appropriations</b>                            |               |          |
| Dividend   |               |          |
| i) Interim                                       | -             | 17.17    |
| ii) Proposed                                     | 40.74         | 31.10    |
| Corporate Tax on                                 |               |          |
| i) Interim Dividend                              | -             | 2.25     |
| ii) Proposed Dividend                            | 5.71          | 4.36     |
| Transfer to General Reserve                      | 11.64         | 16.09    |
| Profit carried forward to Reserve & Surplus      | 488.88        | 430.54   |
| <b>Total:</b>                                    | <b>546.97</b> | 501.54   |

### 2. DIVIDEND

The Board of Directors has recommended a dividend of Rs.0.83 per share (Rs.40.74 crores on 490,57,8400 equity shares) to the members for their approval (previous year Rs.0.98 per share both including interim and final dividend). The final dividend, if approved, will be paid to members within the period stipulated by the Companies Act, 1956.

### 3. MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

### 4. CORPORATE GOVERNANCE

The Compliance Report on Corporate Governance forms part of this Annual Report. The Auditors' Certificate on the Compliance of Corporate Governance Code as provided in Clause 49 of the Listing Agreement is annexed hereto as Annexure and forms part of this Report.

### 5 DIRECTORATE

During the period 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006, the following changes took place in the Board of Directors:-

Shri Ashok Chawla, formerly Addl. Secretary and Financial Advisor, Department of Fertilizers, remained as Director on the Board upto 25.04.2005.

Dr. Jivtesh Singh Maini, Addl. Secretary & Financial Advisor, Department of Fertilizers, was appointed as Additional Director on 11.05.2005 and was elected as Director at the last AGM.





Shri Tejinder Singh Laschar, Economic Advisor, Department of Fertilizers held office as Director of the Company upto 23.08.2005.

Shri Vijay Chhibber, Joint Secretary, Department of Fertilizers, was appointed as Additional Director on 30.08.2005 and was elected as Director at the last AGM.

Shri R. Jayamani, Director (Technical) remained on the Board of the Company upto 31<sup>st</sup> August, 2005, the date of his superannuation.

Shri P.S. Grewal, remained as Chairman & Managing Director of the Company upto 31<sup>st</sup> January, 2006, the date of his superannuation.

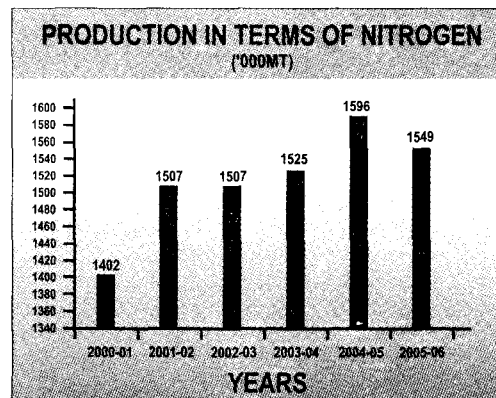
Shri S. Gopalan and Shri Amarjit Singh Sidhu remained Directors of the Company upto 20.03.2006.

Shri G.S. Mangat, Director (Marketing) took over as Chairman & Managing Director w.e.f. 1<sup>st</sup> February, 2006.

Shri V.K. Sharma took over as Director (Technical) w.e.f. 6<sup>th</sup> June, 2006. Earlier to that Shri Sharma as Chief General Manager was Head of Bathinda Unit.

At the ensuing Annual General Meeting, Dr. J.S. Maini and Shri Vijay Chhibber will retire by rotation and being eligible offer themselves for reappointment in terms of provisions of Articles of Associations of the Company. The brief resume/details relating to directors who are to be reappointed are furnished in the explanatory statement to the notice of the ensuing AGM.

Board of Directors place on record its sincere appreciation for the contributions made by the outgoing Directors.



## 6. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, the Directors confirm: -

- That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departures have been made therefrom 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, 2006 and of the profit for that period;
- 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
- That Directors have prepared the Annual Accounts on a going concern basis.

## 7. LISTING OF SHARES

Company's shares are listed on Delhi, Bombay, Madras and Calcutta Stock Exchanges. Company is in the process of delisting the shares from Delhi, Madras and Calcutta Stock Exchanges. Company has already made an application for listing of its equity shares at the National Stock Exchange (NSE).



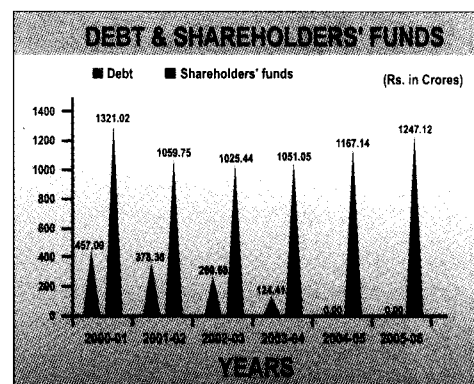
Shri G.S.Mangat, C & MD, exchanging memorandum of understanding (MoU) with Shri Madhukar Gupta, Secy. (Fertilizers).  
Shri G.Natesan Director (Finance) is also seen in the picture.

Annual Report 2005-2006

**8. AUDITORS**

M/s. Shiromany Tyagi & Co. and M/s. Faruqui & Co., Chartered Accountants have been appointed as Statutory Auditors for the financial year under review by the Comptroller and Auditor General of India. The remuneration of the Statutory Auditors for the financial year 2005-06 has been fixed by the Board of Directors as authorized by the shareholders in the last Annual General Meeting.

For the financial year 2006-07, M/s. Shiromany Tyagi & Co. and M/s. Faruqui & Co. Chartered Accountants have been reappointed as Statutory Auditors by the Comptroller and Auditor General of India. Their remuneration shall be fixed by the shareholders in the ensuing AGM or in such manner as the shareholders in the ensuing AGM may determine in accordance with the provisions of Section 224(8)(aa) of the Companies (Amendment) Act, 2000.

**9. COST AUDITORS.**

To comply with Section 233(B) of the Companies Act, 1956, the following Cost Auditors were appointed to conduct cost audit for the year 2005-06 of the unit mentioned against each:-

| S.NO. | COST AUDITOR           | UNIT                |
|-------|------------------------|---------------------|
| 01.   | Sh. V.P. Gupta         | Bathinda & Vijaipur |
| 02.   | M/s. Ravi Sahni & Co.  | Nangal              |
| 03.   | M/s. P.S. Talwar & Co. | Panipat             |

**10. FIXED DEPOSITS**

During the year, the Company has not accepted any fixed deposits from the public.

**11. AUDITORS' REPORT**

The report of auditors together with management's reply to their observations, as also the comments of Comptroller and Auditor General of India form part of Directors' Report.

**12. EMPLOYEES' STOCK OPTION PLAN**

Company has not granted any Employees' Stock Option Plan during the year.

**13. PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, is 'NIL'. Hence, no annexure is annexed with regard thereto.

**14. 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

**15. OPERATIONS REVIEW**

For detailed operations review, kindly refer to Management Discussion & Analysis, which forms part of this Annual Report.

**16. ACKNOWLEDGEMENTS**

Your Directors place on record their sincere gratitude to the Government of India, especially the Department of Fertilizers, Fertilizer Industry Coordination Committee (FICC), the Comptroller & Auditor General of India, Statutory Auditors and Cost Auditors for their guidance and continued support. Directors also place on record their gratitude to the State Governments and Company's Bankers for their assistance, cooperation and encouragement.

Directors also place on record their sincere thanks and appreciation for the continuing support and unstinting efforts of dealers and farmers, suppliers and employees in ensuring all round operational performance of the Company.

For and on behalf of the Board of Directors

**G.S. MANGAT**  
CHAIRMAN & MANAGING DIRECTOR

New Delhi.  
Dated: 28.08.2006