

Catalyzing Smiles and Prosperity

# 35<sup>th</sup> Annual Report 2008-2009



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

**NATIONAL FERTILIZERS LIMITED**

## Mission

“NFL’s mission is to be a market leader in fertilizers and a significant player in all its other business, reputed for customer satisfaction, reasonable reward to shareholders, ethics, professionalism and concern for ecology & the community.”

## Contents

	Page No.
Management Team	2
Performance at a Glance	3
Directors’ Profile	4 - 5
Directors’ Report	6 -11
Management Discussion & Analysis Report	12 -18
Balance Sheet	19 - 20
Profit & Loss Account	21
Cash Flow Statement	22
Schedules to Accounts	23 - 47
Auditors’ Report	48 - 50
Comments of C&AG	51
Corporate Governance Report	52 - 64
Conservation of Energy, etc.	66 - 69
Information of persons belonging to SC/ST	70
Notice of Annual General Meeting	71 - 76
Forms of ECS, Proxy, Attendance Slip, etc.	77 - 83





# Board of Directors



**G.S. Mangat**  
Chairman & Managing Director

**V.K. Sharma**  
Chairman & Managing Director



**K.B. Sachdev**  
Director (Marketing)



**Neeru Abrol**  
Director (Finance)



**Sudhir Bhargava**  
Joint Secy.  
Deptt. of Fertilizers



**Satish Chandra**  
Joint Secy.  
Deptt. of Fertilizers



**Kanwal Malhotra**  
Director



**N. K. Goyal**  
Director



**Dr. S.K. Bhattacharyya**  
Director



**S.A.T. Rizvi**  
Director

## MANAGEMENT TEAM

### Board Level

**V. K. Sharma**

Chairman & Managing Director

**K. B. Sachdev**

Director (Marketing)

**Neeru Abrol**

Director (Finance)

### Corporate Heads

Vigilance	Ajoy Kumar	Chief Vigilance Officer
Finance & Accounts	Rakesh Sahai	Executive Director
Corporate Planning & Technical	R. K. Bhatia	Executive Director
Human Resource & Public Relations	K. B. Verma	Executive Director
Materials Management	Rajiv Johri	Chief General Manager
Marketing	Anil K. Sharma	General Manager(Incharge)
Management Services	N. R. Satyapalan	Dy. General Manager
Company Sectt. & Legal	Tek Chand	Company Secretary
Internal Audit	S. L. Basran	Chief Manager

### Unit Heads

Nangal	B. G. Singh	General Manager (Incharge)
Panipat	P. C. Jain	Chief General Manager
Bathinda	Virender Kumar	Chief General Manager
Vijaipur I & II	S. M. H. Rizvi	Executive Director

### 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

S. P. Chopra & Co.  
New Delhi

Faruqui & Co.  
New Delhi

### REGISTRAR & TRANSFER AGENTS

Mas Services Ltd.  
T-34, IInd Floor  
Okhla Industrial Area - II  
New Delhi - 110020



## PERFORMANCE AT A GLANCE

### Financial Highlights

(Rupees in crore)

Particulars	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Sales (Net)	1683	1623	1649	1634	1726	1731	1594	1532	1462	1298
Subsidy	3444	2518	2217	1957	1748	1657	2060	1418	1347	1155
<b>TURNOVER (incl. Subsidy)</b>	<b>5127</b>	<b>4141</b>	<b>3866</b>	<b>3591</b>	<b>3474</b>	<b>3388</b>	<b>3654</b>	<b>2950</b>	<b>2809</b>	<b>2453</b>
<b>TOTAL INCOME</b>	<b>5207</b>	<b>4206</b>	<b>3894</b>	<b>3627</b>	<b>3507</b>	<b>3418</b>	<b>3685</b>	<b>2978</b>	<b>2838</b>	<b>2491</b>
<b>Earnings before depreciation, interest and tax (EBDITA)</b>	<b>293</b>	<b>262</b>	<b>387</b>	<b>312</b>	<b>357</b>	<b>329</b>	<b>688</b>	<b>270</b>	<b>246</b>	<b>258</b>
Interest and Finance Charges	41	17	17	8	22	34	72	110	122	125
Depreciation	96	89	106	125	120	176	168	112	104	102
Profit before Taxation	156	156	264	179	215	119	448	48	20	31
Profit after Taxation	97	109	176	116	161	85	286	41	27	35
Gross Fixed assets	2906	2925	2903	2897	2862	2846	2839	2692	2687	2528
Net Fixed Assets	734	809	871	963	1050	1153	1322	1342	1448	1392
Current Assets, Loans and Advances	1526	1443	1693	1272	1007	1147	1476	1432	1618	1589
Current Liabilities and Provisions	887	816	692	553	601	372	746	614	758	771
<b>Working Capital</b>	<b>639</b>	<b>627</b>	<b>1001</b>	<b>719</b>	<b>406</b>	<b>775</b>	<b>730</b>	<b>818</b>	<b>860</b>	<b>818</b>
Borrowings	265	525	327	227	60	618	754	818	903	850
Net Worth	1471	1408	1371	1256	1186	1080	1027	1093	1407	1389
Capital Employed	1373	1436	1872	1682	1456	1928	2052	2160	2308	2210
Production (Urea) (Lakh MT)	33.44	32.68	33.51	33.44	34.32	32.50	32.12	31.91	29.36	31.37
Capacity Utilisation (Urea) (%) *	103.5	101.1	103.7	103.5	106.2	100.6	99.4	99.5	93.6	110.0
Sales (Urea) (Lakh MT)	33.77	32.38	33.54	33.63	34.73	33.87	32.89	32.92	30.50	30.20
Employees (Nos.)	4868	4786	4736	4769	4853	4940	5404	5751	6602	6747

\* The installed capacities of Vijaipur Unit -I & Vijaipur -II for urea has been re-assessed w.e.f. 01-04-2000 and increased from 7,26,000 MT to 8,64,600 MT per annum.

### Key Indicators

Particulars	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Debt/Equity	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1	0.74 : 1	0.77 : 1	0.68 : 1	0.65 : 1
Current Assets to Net Assets	0.56 : 1	0.50 : 1	0.65 : 1	0.56 : 1	0.48 : 1	0.49 : 1	0.52 : 1	0.57 : 1	0.53 : 1	0.53 : 1
Current Ratio	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1	1.98 : 1	2.33 : 1	2.14 : 1	2.06 : 1
Acid Test Ratio	1.30 : 1	1.27 : 1	1.90 : 1	1.69 : 1	1.06 : 1	1.97 : 1	1.22 : 1	0.90 : 1	0.98 : 1	0.72 : 1
Return on Capital Employed (%)	7.10	7.56	9.41	6.92	11.06	4.41	13.95	1.88	1.18	1.58
Return on Equity (%)	19.87	22.15	35.90	23.73	32.80	17.33	58.35	8.28	5.57	7.11
Value Added per Employee (Rs. In Crores)	0.20	0.19	0.19	0.17	0.18	0.17	0.24	0.15	0.12	0.12
Earning per Share (EPS) (Rs.)	1.99	2.21	3.59	2.37	3.28	1.73	5.84	0.83	0.56	0.71
EBDITA/ Turnover (%)	5.71	6.33	10.01	8.69	10.28	9.71	18.83	9.15	8.76	10.52
Return on Net Worth (%)	6.59	7.74	12.84	9.24	13.58	7.87	27.85	3.75	1.92	2.52

## DIRECTORS' PROFILE

### Shri V.K. Sharma

Shri Sharma, aged about 57 years, is an Electrical Engineer. Before taking over as Director (Technical) w.e.f. 6.6.2006, he was working as Chief General Manager, Bathinda Unit. Shri Sharma has been associated with the Company since 1974 and has held different positions at Nangal, Bathinda and Vijaipur Units of the Company. He had also been Head of Human Resource at Corporate Office. Shri Sharma has vast experience in project management and has played an active role in implementation of different projects at Nangal and Vijaipur Units successfully. He is also holding additional charge as Chairman & Managing Director w.e.f. 01.12.2008. Shri Sharma is also member of Shareholders/Investors Grievance Committee of the Company

### Shri K.B. Sachdev

Shri Sachdev, aged about 59 years, is a Mechanical Engineer and holds Masters Degree in Business Administration. Shri Sachdev took over as Director (Marketing) w.e.f. 27<sup>th</sup> October 2006. Prior to that he was Chief General Manager (Marketing) in the Company. Shri Sachdev is associated with NFL since 1975 and has held various positions at Corporate Office, Vijaipur and Panipat Units.

### Ms. Neeru Abrol

Ms Neeru Abrol, aged about 54 years, has joined National Fertilizers Limited as Director (Finance) on 1<sup>st</sup> October 2007. Prior to this, she had been with Steel Authority of India Limited (SAIL) as General Manager (Finance). A Chartered Accountant by profession, Ms Abrol embodies an extensive experience spanning over 28 years in the field of Financial Management. At SAIL, she successfully handled various managerial positions. She was on Board of M/s SAIL from July 2006 to September 2007. She is a non-executive Director and Chairperson of Urvarak Videsh Limited, a joint venture company of NFL, RCF & KRIBHCO. As Finance Director on the Board of NFL, she is responsible for formulating financial strategies and plan. She oversees the entire gamut of Financial Management in the Company including mobilization of financial resource and optimum utilization of funds. Formulation of company's financial budget, undertaking budgetary controls, ensuring compliance of Company Law and other statutory requirements, internal control systems etc. are some of her other vital areas of operation. Ms Abrol has visited USA and UK on a number of key assignments. Besides domestic training programmes, she has also attended Foreign Training Programme on Financial Management organized in USA, UK, France and Germany

### Shri Satish Chandra

Shri Satish Chandra, aged about 47 years, is a senior IAS officer of 1986 batch. He has a lot of administrative experience. At present, Shri Chandra is Joint Secretary with Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India. On nomination by the President of India, Shri Chandra joined the Board of Company as Additional Director w.e.f. 27.10.2008. Shri Satish Chandra is also a Director on the Board of Directors of Madras Fertilizers Limited, Indian Potash Limited.

### Shri Sudhir Bhargava

Shri Sudhir Bhargava, aged about 54 years is a senior IAS officer. He has a lot of administrative experience. At present, Shri Bhargava is Joint Secretary with Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India. On nomination by the President of India, Shri Bhargava joined the Board of Company as Additional Director w.e.f. 16.03.2009.

### Shri Kanwal Malhotra

Shri Malhotra, aged about 57 years, is a Chartered Accountant in practice since 1975 and has handled audit and tax work of corporate assesseees, firms, individuals and government companies. He joined the Board of NFL on 21<sup>st</sup> February 2007. He is a partner in the firm, M/s. Kanwal Malhotra & Co. handling the statutory and tax audit of many prestigious companies and firms including MNC(s). These companies cover a whole gamut of industrial categories like construction, manufacturing,



trading, services, logistics, financial services and film distributors/ producers. He has rich experience in all financial matters concerning corporate and non-corporate entities. Shri Malhotra is also Chairman of Audit Committee and Shareholders/ Investors Grievance Committee of the Company. Shri Malhotra is member of Remuneration Committee of the Company.

### **Shri N.K. Goyal**

Shri N.K. Goyal, aged about 58 years, is a Senior Consultant and Analyst, joined the Board of the Company on 30<sup>th</sup> January 2008. He is M.Sc. in Chemistry with professional industrial experience of more than 38 years. He is former Director of National Institute of Entrepreneurship and Small Business Development (NIESBUD) and has served Government of Himachal Pradesh in various PSUs for more than 21 years engaged in Project implementation, infrastructure development, industrial consultancy, strategic operations, etc. Shri Goyal is associated with a number of organizations in different capacities such as Chairman, Emeritus of Telecom Equipments Manufacturers Association of India (TEMA), President, Communications and Manufacturing Association of India (CMAI), Chairman, India Trade Promotion Services, Dubai, Member, Governing Council – Telecom Equipment & Services Export Promotion Council, Government of India etc. Shri Goyal is also member of Shareholders/Investors Grievance Committee and Remuneration Committee of the Company.

### **Dr. S.K. Bhattacharyya**

Dr. Subir Kumar Bhattacharyya, aged about 63 years, has graduated with Gold Medal from BE College in 1966 in Metallurgy and obtained Doctor of Science in Physical Metallurgy from M.I.T., USA. He joined the Board of NFL on 30<sup>th</sup> January 2008. He has worked in various capacities with SAIL and also occupied the position of Director, R&D Centre for Iron & Steel for SAIL at Ranchi. He had also been on the Board of SAIL. He took over as Managing Director, Durgapur Steel Plant in 2001. He became Chairman, IISCO in 2004. Dr. Bhattacharyya takes keen interest in the activities of Indian Institute of Metals and became its President in 2003. He has over 50 publications in national and international journals of repute and five Indian and foreign patents to his credit. Presently, he is Member of Board of Directors of Tayo Rolls Limited, Hindustan Organic Chemicals Limited and is adviser to Steel Authority of India Limited. Dr. Bhattacharyya is also a member of Audit Committee of NFL. He is also Chairman of Audit Committee of Tayo Rolls Limited. Shri Bhattacharyya is also Chairman of Remuneration Committee of the Company.

### **Shri S.A.T. Rizvi**

Shri S.A.T. Rizvi, aged about 68 years, qualified IAS in 1964, where he stood first. He was in the IAS U.P. Cadre and occupied important positions in Centre and State Governments. He joined NFL Board on 30<sup>th</sup> January 2008. He occupied the positions like Secretary (Industries), Vigilance, Information, Civil Aviation in the State. In the Government of India, he occupied the positions like Additional Secretary (Industries) & DC SSI, Secretary, Ministry of Agriculture (DAHND), Ministry of Parliamentary Affairs. He also worked as Advisor to the Governor of Bihar. Post retirement, Shri Rizvi has served as a Member of Central Administrative Tribunal (CAT). Presently, he is holding the constitutional post of Chairman, State Finance Commission (Local Bodies), U.P. Shri Rizvi is also a member of Audit Committee of NFL. Shri Rizvi is also member of Remuneration Committee of the Company.



## DIRECTORS' REPORT

To,

**Dear Members,**

Your Directors have pleasure in presenting the 35<sup>th</sup> Annual Report on the business and operations of the company together with the Audited Accounts for the financial year ended March 31, 2009.

### Financial Results

During the year, the Company achieved turnover (including subsidy) of Rs.5127.10 crore registering a growth of 23.8% over the previous year. The profit before tax is Rs.155.61 crore (previous year Rs.155.82 crore) and profit after tax is Rs.97.46 crore (previous year Rs.108.65 crore). Your company was able to maintain the profits at the level of previous year despite making estimated additional provision towards wage revision and employee benefits due w.e.f. 1<sup>st</sup> January, 2007. During the year, the interest expenses increased to Rs.40.89 crore (previous year Rs.16.64 crore) due to increase in working capital requirement resulting from substantial increase in the price of petroleum products and the time lag in corresponding increase in the concession price of urea. Further, receipt of subsidy in bonds in lieu of cash led to higher level of working capital borrowings. However, this has been partially neutralized with higher interest earned of Rs.50 crore (previous year Rs.36.02 crore). During the year, Company received Fertilizer Companies Special Bonds amounting to Rs.545.44 crore in lieu of cash subsidy. Company holds bonds of the value of Rs.496.19 crore as on 31<sup>st</sup> March, 2009 and diminution in value of Rs.35.81 crore has been provided for based on the mark to market valuation. The total borrowing of the company as on 31<sup>st</sup> March, 2009, stood at Rs.264.87 crore against Rs.524.66 crore as on 31<sup>st</sup> March, 2008. Debt Equity Ratio as on 31<sup>st</sup> March, 2009 is 0.18 : 1 as compared to 0.37 : 1 as on 31<sup>st</sup> March, 2008.

### Dividend

Your Directors have recommended a dividend of Rs.0.60 per share subject to approval of the members. The total dividend pay-out is at Rs.34.43 crore (including dividend tax of Rs.5 crore) and accounts for 35.3% of profit after tax. A sum of Rs.9.75 crore has been transferred to the general reserve during the year (previous year Rs.10.86 crore).

### Operations

Your company produced 33.44 lakh tonnes of Urea (103.5% of installed capacity) compared to 32.68 lakh tonnes in the previous year. The production includes 1.13 lakh tonnes of additional production of urea, 0.74 lakh tonnes from Vijaipur unit and 0.39 lakh tonnes from FO based units at Nangal (0.18 lakh tonnes) and Bathinda (0.21 lakh tonnes) during first six months of the financial year being economically viable considering the then prevailing Import Parity Price of urea. Marginal shortfall of 0.23 lakh MT at Panipat due to equipment/external power failures was made up by producing additional Urea at Nangal and Bathinda. Nangal Unit achieved ever-best production of urea and Ammonia at 5.14 lakh tonnes and 3.17 lakh tonnes respectively. Company produced 160 tonnes of Bio-fertilizers and 11915 tonnes of neem-coated urea.

### Sales and Marketing

The sales turnover, including subsidy, for the year was Rs.5127.10 crore against Rs.4140.65 crore in the previous year registering an increase of 23.8% due to increase in volume of sale and subsidy rate pursuant to increase in prices of FO/LSHS and Naphtha. The Company sold 33.77



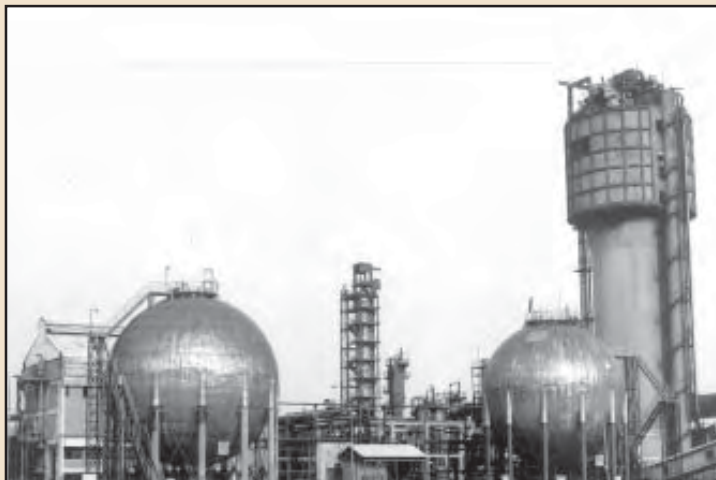




lakh tonnes of Urea against 32.38 lakh tonnes in the previous year. Company achieved ever-best bio-fertilizer despatches of 193 tonnes surpassing the previous best of 177 tonnes in 2007-08. During the year Company achieved sales turnover of Industrial Products, including Nitric acid, sulphur, Argon, ammonium nitrate etc, of Rs.120.72 crore (inclusive of traded seeds and compost of Rs.3.40 crores).

### Modernization and Expansion Projects

The Company incurred a capital expenditure of Rs.28.03 crore on renewals and replacement of equipments and upgradation of instrumentation, etc. During the year, Government of India notified the New Investment policy in urea Sector subsequent to which, your company has undertaken the execution of capacity augmentation of Urea production by 16% and 23% at Vijaipur I & II Units respectively. For changeover of feedstock from LSHS/Furnace oil (FO) to Natural Gas at Nangal, Panipat and Bathinda, Pre-PIB clearance and Environmental clearance has been obtained. These projects also gained impetus with the notification of the financing policy for conversion of FO based plants to gas by the Government in March 2009. Revised price bids have since been received from the bidders and after finalizing the Lump sum Turnkey contract, approval of PIB shall be obtained.



A view of Fuel-oil based Panipat Plant

### Human Resource Management

To achieve sustainable growth and to foster motivational climate, several initiatives were taken up in Human Resources area during the year. This was accomplished through meeting training needs at various levels, providing opportunities for employee participation in management and rewarding suitably for innovative ideas. Company achieved 2.90 man days training per employee. Company appointed 122 officers in various disciplines comprising of 93 engineers, 7 finance professionals, 4 doctors and 18 in material & personnel. Emphasis is put on to develop multiple skills and multidiscipline exposure amongst the employees to achieve higher level of performance and productivity. The manpower strength as on 31<sup>st</sup> March 2009 was 4868, an increase of 82 employees, compared to 4786 at the beginning of the year. Company is in the process of implementing the Wage revision due since 1<sup>st</sup> January, 2007. This will give an impetus to improve the productivity.

Employee relations scenario in the Company continued to be cordial marked by industrial harmony during the year. The schemes for employees' participation in Management continue to function successfully. The Unions and Associations and also the individual employees complemented the efforts of the Management in developing, sustaining and enabling performance culture. There were continuous interactions between the Management and the employees. The Company is concerned for its employees' health, well-being and welfare and has various Schemes/ facilities for providing recreation, education and general welfare of employees. These motivation schemes provide better quality of life and improved commitment and dedication of employees.

### Promotion of Official Language

The Company continued its efforts in the implementation of Official Language Policy of the Government of India. Emphasis was laid on creating an environment in which employees adopt Hindi in their official works. Job oriented competitions were conducted to encourage use of the official language. A number of workshops were also conducted to encourage employees to work in Hindi. All Office Orders, formats and circulars are issued in Hindi as well. All important advertisements and House Journals are published in Hindi and English. Use of information technology is also being made in promotion of Hindi. The Company's website also has the facility of operating in bi-lingual form Hindi and English. Hindi software was procured and installed on computers to facilitate working in Hindi.

### Rating of NFL vis-à-vis MoU Targets

Your Company received “Excellent” rating under MoU system of the Government of India for the year 2007-08 which makes it 8<sup>th</sup> consecutive year.

### Awards & Accolades

Company’s excellent performance got several recognitions from various quarters during the year. Vijaipur Unit has been conferred “Silver Award” for outstanding achievement in Environment Management in Fertilizer Industries under “Green-Tech Environment Excellence Award-2008”. Nangal Unit bagged “ICWAI National Award-2008 for Excellence in Cost Management” from ICWAI New Delhi. Panipat Unit received two Runner-up awards for lowest average accident frequency rate & for achieving longest accident free period from Haryana State Safety & welfare award committee for the year 2007. Panipat Unit was awarded “Rajbhasha Shield” as third prize and an appreciation letter for excellent work in Hindi language by ‘Rajbhasha Kaaryavan Samiti, Panipat’.

### Joint Venture

Your Company has formed a Joint Venture company “Urvarak Videsh Limited” with M/s. KRIBHCO and RCF with equal shareholding to explore investment opportunities abroad and within the country in nitrogenous, phosphatic and potassic sectors and to render consultancy services for setting up projects in India and abroad. The Government of India has assigned the revival of closed Barauni Unit of HFCL to the Joint Venture Company. The Pre project activities are at different stages of execution.

### Environment Management

Your company has in place a system for controlling and monitoring pollutants at all units complying with environmental standards and legislation. Resource conservation, waste management and pollution prevention are the driving forces for environmental excellence at your company. All the Units are ISO 9001-2000 certified for Quality Management System and ISO-14001 certified for Environment Management System. Further, all the units have received OHSAS-18001 certification for occupational health and safety management system. The installation of facilities for reducing Nitrous Oxide emissions from Nitric Oxide Plant at Nangal to earn Carbon Credits under Clean Development Mechanism has been taken up for execution.



Urea filled bags in the Bagging Plant

### Information Technology

The company is making use of Information technology in all its business functions. Old and obsolete Servers have been replaced with rack-mountable and latest versions of Oracle products have also been procured. The Database servers at Corporate Office, Noida & Nangal Unit have been clustered to ensure higher availability & redundancy. Company has initiated the re-engineering of its business processes including replacing the legacy applications by web based applications. A consolidated Marketing Application has been developed and implemented. The company has also enhanced the usage of e-procurement and e-payment.

Company has recently entered into a Memorandum of Understanding (MoU) with M/s BSNL to avail various telecom services. To start with under the MoU, the existing leased lines based Wide Area Network shall be replaced with MPLS -Virtual Private Network for a secured and scalable connectivity amongst Corporate Office, Units and Marketing Offices.

### Corporate Social Responsibility

In keeping with the Company’s strong commitment to rural development, community development and social welfare, your company initiated several community welfare and development programmes during the year. Your company has taken initiative