

*Striving Towards
Another Green Revolution*

37th

Annual Report

2010-2011



NATIONAL FERTILIZERS LIMITED

Pioneers in the Manufacture of Neem Coated Urea

Our Mission

NFL's mission 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

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Management Team

BOARD LEVEL

Satish Chandra

Chairman & Managing Director

Neeru Abrol

Director (Finance)

R.K. Aggarwal

Director (Technical)

Capt. Pavan Kumar Kaul

Director (Marketing)

CORPORATE HEADS

Vigilance

Finance & Accounts

Technical

Human Resource & Public Relations

Materials Management

Marketing

Management Services

Company Secretariat & Legal

Corporate Planning

Internal Audit

Ajoy Kumar

Rakesh Sahai

P.C. Jain

S.N. Mahey

Rajiv Johri

S.K. Ghai

N.R. Satyapalan

Tek Chand

N.N. Arora

S.L. Basran

Chief Vigilance Officer

Executive Director

Chief General Manager

Chief General Manager

Chief General Manager

General Manager I/c

General Manager

Company Secretary

Dy. General Manager

Dy. General Manager

UNIT HEADS

Nangal

Panipat

Bathinda

Vijaipur I & II

B.G. Singh

R.K. Bhatia

K.B. Verma

S.M.H. Rizvi

General Manager I/c

Executive Director

Executive Director

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.

Chartered Accountants,

New Delhi

DSP & Associates,

Chartered Accountants,

New Delhi

REGISTRAR & TRANSFER AGENTS

Mas Services Limited,

T-34, IInd Floor,

Okhla Industrial Area-II,

New Delhi - 110020

Board of Directors



Shri Satish Chandra
Chairman & Managing Director



Ms. Neeru Abrol
Director (Finance)



Shri R.K. Aggarwal
Director (Technical)



Capt. Pavan Kumar Kaul
Director (Marketing)



Shri Munikoti Niranjana Rao
Director

Performance at a Glance

Financial Highlights

(₹ in Crore)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales (Net)	1873	1696	1683	1623	1649	1634	1726	1731	1594	1532
Subsidy	3918	3396	3444	2518	2217	1957	1748	1657	2060	1418
Turnover (incl. Subsidy)	5791	5092	5127	4141	3866	3591	3474	3388	3654	2950
Earnings before depreciation, interest and tax (EBDITA)	302	365	293	262	387	312	357	329	688	270
Interest and Finance Charges	9	11	41	17	17	8	22	34	72	110
Depreciation	89	94	96	89	106	125	120	176	168	112
Profit before Tax	204	260	156	156	264	179	215	119	448	48
Profit after Tax	139	172	97	109	176	116	161	85	286	41
Gross Fixed Assets	2930	2924	2906	2925	2903	2897	2862	2846	2839	2692
Net Fixed Assets	599	666	734	809	871	963	1050	1153	1322	1342
Current Assets, Loans and Advances	2115	2082	1524	1443	1693	1272	1007	1147	1476	1432
Current Liabilities and Provisions	998	794	885	816	692	553	601	372	746	614
Working Capital	1117	1288	639	627	1001	719	406	775	730	818
Borrowings	613	403	265	525	327	227	60	618	754	818
Net Worth	1672	1582	1471	1408	1371	1256	1186	1080	1027	1093
Capital Employed (Net Fixed Assets + Working Capital)	1716	1954	1373	1436	1872	1682	1456	1928	2052	2160
Production (Urea) (Lakh MT)	33.80	33.30	33.44	32.68	33.51	33.44	34.32	32.50	32.12	31.91
Capacity Utilisation (Urea) (%)	104.6	103.1	103.5	101.1	103.7	103.5	106.2	100.6	99.4	99.5
Sales (Urea) (Lakh MT)	33.59	33.78	33.77	32.38	33.54	33.63	34.73	33.87	32.89	32.92
Employees (Nos.)	4596	4760	4868	4786	4736	4769	4853	4940	5404	5751

Key Indicators

EBDITA/ Turnover (%)	5.21	7.17	5.71	6.33	10.01	8.69	10.28	9.71	18.83	9.15
Return on Net Worth (%)	8.31	10.87	6.59	7.74	12.84	9.24	13.58	7.87	27.85	3.75
Return on Capital Employed (%)	8.07	8.78	7.10	7.56	9.41	6.92	11.06	4.41	13.95	1.88
Earning per Share of ₹10 (₹)	2.82	3.50	1.99	2.21	3.59	2.37	3.28	1.73	5.84	0.83
Debt/Equity	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1	0.74 : 1	0.77 : 1
Current Ratio	2.12 : 1	2.62 : 1	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1	1.98 : 1	2.33 : 1
Value Added per Employee (₹ in Lakhs)	23	23	20	19	19	17	18	17	24	15

Directors' Report

To,

Dear Members,

Your Directors are pleased to present the 37th Annual Report on the business and operations of the company together with the audited accounts for the year ended March 31, 2011.

Financial Highlights

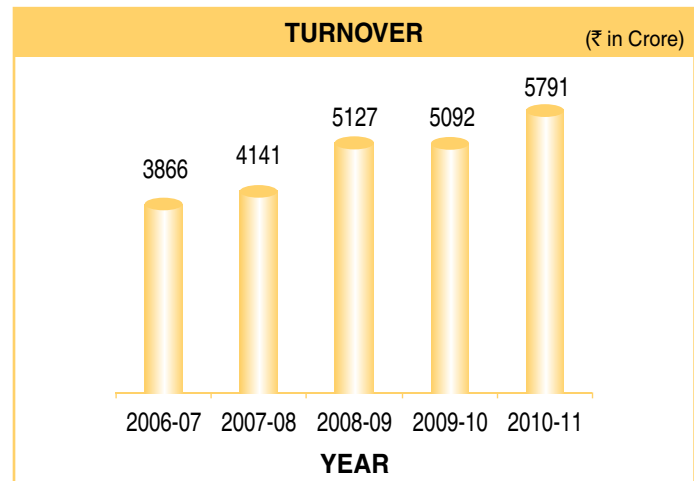
During the year under review, the Company achieved turnover of ₹ 5791 crore (previous year ₹ 5091 crore). The profit before tax was ₹ 203.92 crore (previous year ₹ 259.95 crore) and profit after tax was ₹ 138.50 crore (previous year ₹ 171.51 crore). The decrease in profit over previous year is mainly due to higher receipt of subsidy arrears during the previous year and decrease in interest income. This has been off set by higher production, lower energy consumption, and higher sale of Industrial Products. The total borrowings of the company as at 31st March, 2011, stood at ₹ 613.06 crore (₹ 403.16 crore as at 31st March, 2010). The borrowings include long term loan of ₹ 150 crore to finance the under implementation capital scheme of change over of feed stock from Fuel-oil to Natural Gas at Nangal, Bathinda and Panipat and buyers credit of ₹ 41.22 crore for Urea capacity enhancement projects at Vijaipur. The cash credit utilization was ₹ 343.84 crore and short term loan of ₹ 78 crore was outstanding as on that date.

Dividend

The Directors have recommended a dividend of ₹0.85 per share (previous year ₹1.05 per share) subject to approval of the members. The total dividend pay-out is ₹48.46 crore (including dividend tax of ₹6.76 crore) and accounts for 30% of profit after tax. A sum of ₹13.85 crore has been transferred to the general reserve during the year (previous year ₹ 17.15 crore).

Operations

During the year, your company produced 33.80 lakh tonnes of Urea (104.06% of installed capacity), including 1.49 lakh tonnes of additional production from Vijaipur Plants, compared to 33.30 lakh tonnes in the previous year. Vijaipur units achieved ever-best yearly production of Urea and Ammonia at 18.78 lakh tonnes and 10.92 lakh tonnes respectively, which was 108.6% and 108.8 % of installed capacity. The three fuel oil based plants achieved 100% capacity utilization on cumulative basis. The production beyond 100% capacity utilization in fuel oil based plants is not economically viable in terms of Pricing Policy of Urea. The company achieved ever-best Bio-Fertilizers production of 231 tonnes during the year against earlier best production of 226 tonnes in 2009-10. Ever best lower energy consumption of 9.446 Gcal/tonne of urea was achieved at Nangal during 2010-11 surpassing the previous best lowest energy consumption of 9.505 Gcal/tonne of urea in 2008-09. The percentage share of NFL in urea production in the country has been estimated at 15.4%. Company has also started the production of foundation and certified seeds under a pilot project.



Sales & Marketing

Company sold 33.59 lakh tonnes of Urea (including Neem coated Urea of 1.20 lakh tonnes) against 33.78 lakh tonnes (including Neem Coated Urea of 0.38 lakh tonnes) in the previous year. In spite of marginal drop in sales quantity mainly due to limitation of railway wagons, the sales turnover including subsidy for the year was ₹ 5791 crore, an increase of 14% over ₹5091 crore in the previous year. The increase in turnover is due to increase in subsidy resulting from increase in the prices of petroleum products and revision in the price of APM Gas from 1st July, 2010, higher sales of industrial products, etc. Bio-fertilizers sales at 219 tonnes saw a growth of 11% over the previous year at 196 tonnes. Industrial Product sales were of the value of ₹115 crore in 2010-11 recording a growth of 17% over previous year.



Shri Srikant Jena, Hon'ble Minister of State (C&F) speaking at the foundation stone laying ceremony of Soil Testing Lab at Balasore, Odisha.

Company sold 0.50 lakh tonnes of imported Murate of Potash (MOP). It has also ventured into trading of certified seeds and sold 5502 tonnes of wheat, soyabean and paddy seeds with a turnover of ₹ 9.07 crore. Company also sold mycorrhiza and compost. In agro-chemicals, the Company saw a turnover of ₹ 1.03 crore and efforts are being made for trading of Zinc Sulphate and Ventonite Sulphur.

Company signed an MoU with M/s PT PUPUK SRIWIDJAJA, an Indonesian firm regarding procurement of around 3 lakh tonnes of Urea and 2.50 lakh tonnes of NPK per annum for a period of two years.

The Company undertook various Agriculture extension activities during the year. Krishi melas, exhibitions, Crop Seminars, Farmers' & Dealers' Training Programmes and study tours were organized to disseminate information regarding improved farm technology and establish direct communication with the farmers as also to educate the farmers on the balanced use of fertilizer and its timely application besides providing guidance on pesticides and fungicides. Under orientation programmes for dealers/retailers and farmers on balanced fertilization to optimize crop productivity, a total of 2045 dealers/retailers and 5351 farmers were covered during the year. The Company undertook 409 block and frontline demonstrations and 182 R&D trials on different crops in different areas. During the year, 17520 farmers were trained and 59,970 soil samples were tested, and analyzed. The Company participated in 42 Krishi Melas and Exhibitions. During the year, 15 'Krishi Sewa Kendras' were set-up and 27 solar lights distributed. Company is establishing a Soil Testing Laboratory at Balasore, Odisha at a cost of ₹ 70 lakhs under the National Project on Soil Health and Fertility of Govt. of India. The Company has 4 mobile and 5 static Soil Testing Laboratories. The Laboratories are used for Soil Testing and analysis to make balanced use of fertilizers by the farming community.

Modernization and Expansion Projects

With a view to consolidate its position as a market leader in Urea, projects of about ₹ 4700 crore are at various stages of implementation in Company's various plants. The major ongoing schemes are:

❖ Revamp of fuel-oil based plants at Panipat, Bathinda & Nangal

The Company has undertaken revamp of fuel-oil based plants at Panipat, Bathinda & Nangal for change over of feedstock from Fuel-oil to Natural Gas. These projects involve a total investment of ₹ 4066 crore and a completion period of 36 months from the Zero date i.e. 29th January 2010. These projects are being implemented on lumpsum turn key (LSTK) basis. Panipat and Bathinda projects are being implemented by M/s. Larsen & Toubro (L&T) with process licence from M/s. Halder Topsoe. Nangal Project is being implemented by consortium of M/s. Tecnimont SPA Italy and M/s. Technimont ICB, Mumbai with process licence from KBR. M/s. Project & Development India Limited (PDIL) has been engaged as Project Management Consultant for all these three projects. The projects are on schedule.

❖ Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur

The Company has undertaken Capacity augmentation of Ammonia & Urea plants at Vijaipur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant at an investment of around ₹650 crore. The total urea capacity of Vijaipur units after commissioning of the project shall be 20.66 lakh tonnes per annum against 17.29 lakh tonnes per annum at present. Capacity Augmentation of Ammonia & Urea shall be completed by November, 2011 and the CDR Plant shall be commissioned by June, 2012.

Human Resource Management

The Company has always believed that human resource is its most important asset and continues to work for its development and realisation of its potential. To achieve growth and to foster motivational climate, several initiatives were taken up during the year. Modified Performance Related Pay Scheme for Executives and Non-Executives has been implemented and Group Productivity Allowance Scheme has also been introduced. The Company has introduced Employees Economic & Social Rehabilitation Scheme, which protects the welfare of the family in case of demise/permanent disablement of employee during service. A new Pension Scheme for the benefit of employees is also in the process of implementation.

During the year, to inculcate leadership qualities with high values, moral and ethics in all supervisory staff and managerial cadre, Company achieved 8781 and 11802 man days training for Executives and Non-Executives, respectively by deputing employees for external and in-house programmes. Manpower strength of the company as on 31.03.2011 was 4596 comprising of 1877 Executives and 2719 Non-executives.

The Employer-Employee relationship continued to be harmonious during the year. There was no loss of production due to any adverse IR situation. The schemes for employees' participation in Management continue to function successfully. There were continuous interactions between the Management and employees' representatives on various issues keeping in view the best interest of employees and the Company.

The Company continues to make efforts for improving employees' health, well-being and welfare and has taken steps for providing recreation, education and general welfare of employees.

Implementation of Official Language

The Company is making all efforts to ensure the implementation of Official Language policy of the Government of India. The targets fixed in the Annual Programme issued by the Department of Official Language, Government of India have been achieved. A number of workshops, competitions and pakhwaras were organized to encourage employees to work in Hindi. Information Technology is being widely used to promote the official language in the offices. The Company continued to win awards in implementing the National Language. Panipat Unit received Raj Bhasha Shield in Hindi Language from 'Nagar Rajbhasha Kaarynvan Samiti' Panipat for 2009.



Shri Rajendra Agarwal, M.P., Hon'ble Convenor of the First Sub Committee of Committee of Parliament on Official Language, is handing over compilation of orders of the President of India on Official Language to Shri Satish Chandra, C&MD, NFL

Awards & Accolades

Your Company excelled in performance in various areas, which got recognition from various quarters during the year. The company has received "Excellent" rating for the MoU 2009-10 which is tenth excellent rating in a row.

Company has won the following prestigious awards during 2010-11:-

- ❖ ICWAI Award 2009 for excellence in cost management for Bathinda Unit.
- ❖ National Safety Award 2008 for accident free year and lowest average frequency rate from Ministry of Labour and Employment, New Delhi and Prashansa Patra National Safety Award 2009 from National Safety Council for Vijaipur Unit.
- ❖ Safety Award Suraksha Puraskar from National Safety Council of India for the year 2009 for Panipat Unit.

Environment Management

The Company accords highest priority to Industrial Safety, Ecology & Pollution Control and has adopted 3R's approach i.e. reduce, reuse, recycle in an effort to have zero effluent discharge plants. Company has adopted an extensive afforestation programme. All the statutory standards are met by respective units.

Silo system for collecting fly ash from ESP Hoppers using dense phase pneumatic conveying system has been installed at Panipat, Bathinda and Nangal Units for evacuation of ash from the plants. This has helped to contain the ecological concerns in fly ash disposal.

All the Units are ISO 9001-2000 certified for Quality Management System, ISO-14001 certified for Environment Management System and have received OHSAS-18001 certification for occupational health and safety management system.

Company is putting up a Carbon Dioxide Recovery Plant of 450 MTPD capacity for recovery of carbon dioxide from Flue Gases of primary reformer at Vijaipur. This will help in reduction of discharge of greenhouse gases.