

39th

Annual Report
2012-13

Integrating
Possibilities
for a
Green World

Changeover from **OIL** to **GAS** based technology



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

OUR MISSION

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

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MANAGEMENT TEAM

As on 3rd August, 2013

BOARD LEVEL

R. G. Rajan

Chairman & Managing Director

Neeru Abrol

Director (Finance)

Capt. Pavan Kumar Kaul

Director (Marketing)

C. M. T. Britto

Director (Technical)

CORPORATE HEADS

Vigilance

Technical

Materials Management

Projects

F & A, Company Secretariat

Human Resources

Marketing

Marketing

Management Services

Legal

Harish C. Singh

R. K. Bhatia

Rajiv Johri

B. P. Kumar

Tek Chand

M. S. Tolia

N. R. Satyapalan

S. Gwande

J. M. Kapoor

A. K. Asija

Chief Vigilance Officer

Executive Director

Chief General Manager

Chief General Manager

GM I/c & Company Secretary

General Manager

General Manager

General Manager

General Manager

General Manager

UNIT HEADS

Nangal

Panipat

Bathinda

Vijaipur I & II

K. K. Chaturvedi

V. Ramakrishnan

S. C. Singhal

S. K. Jindal

General Manager I/c

General Manager I/c

General Manager I/c

General Manager I/c

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

Thakur, Vaidyanath Aiyar & 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 R. G. Rajan	Chairman & Managing Director
Ms. Neeru Abrol	Director (Finance)
Capt. Pavan Kumar Kaul	Director (Marketing)
Shri C.M.T. Britto	Director (Technical)
Shri Satish Chandra	Joint Secretary (A & M) & CVO Department of Fertilizers
Shri S.C. Gupta	Joint Secretary (F & P) Department of Fertilizers
Shri Munikoti Niranjana Rao	Independent Director
Shri Vikram Srivastava	Independent Director
Shri M. Raman	Independent Director

HIGHLIGHTS



Shri R.G. Rajan, C&MD receiving India Distinguished Fellowship Award 2013 from Dr. Veerappa Moily, Hon'ble Union Minister of Petroleum and Natural Gas



Ms. Neeru Abrol, Director (Finance) & Shri R. K. Bhatia, Executive Director receiving FAI Runner Up Award for excellence in Safety from Shri S. K. Jena, Hon'ble Minister of State for Chemicals & Fertilizers (Independent Charge)

Chairman's Message



Dear Shareholders,

I am happy to inform you that NFL has implemented the feedstock conversion projects at Panipat, Bathinda and Nangal by changing over from fuel-oil to natural gas. With the commissioning of feedstock conversion projects, NFL is marching towards using cleaner feedstock for better environment.

During the year gone by, your company has produced 32.11 Lakh MT of urea. The production during 2012-13 remained lower due to extended shutdown at Vijaipur for hooking up & commissioning of revamp projects. On the marketing front, sale of Urea was recorded at 31.62 LMT. The sale was less due to lower production and limited dispatches.

The above factors and higher energy consumption due to lower production at the Units adversely affected the profitability and the Company has reported a loss post tax of ₹ 170.73 crores during 2012-13. Bottom line of the Company was also adversely impacted due to non-revision of New Pricing Scheme Stage-III parameters of urea. Under the existing policy, reimbursement of fixed cost is based on the financial year 2002-03. Further, delay in receipt of subsidy has increased the interest expenses on working capital loan.

The Company has been making regular forays into diverse agri-based businesses including seeds, compost, Bentonite Sulphur and pesticides. During the year, turnover of ₹ 30.08 crores was recorded in these businesses.

Your Company has been strongly advocating and promoting balanced and efficient use of fertilizers. With this objective, a number of programmes such as in-house training of farmers at Kisan Vikas Kendras were organized. In addition to this, more than 50,000 soil samples are collected and analyzed with the reports to the farmers.

The Company is committed towards upliftment of underprivileged sections of the society and has supported various social and community initiatives touching the lives large number of people. The Company is engaged in various CSR activities with prime focus on creating awareness about health and hygiene, children education, women empowerment, skill development for self employment, use of non-conventional energy resources, water conservation, rain water harvesting and ground water recharging. For the above initiatives in CSR, your Company was awarded Caring Company Award in the World CSR Congress at Mumbai in February, 2013.

Your Company has taken various initiatives in adopting best practices for environment management, energy conservation and social upliftment leading to sustainable development. Other than use of cleaner and greener fuel in all its plants, NFL is continuously endeavouring to improve the energy efficiency. Your Company has installed and commissioned Carbon Dioxide Recovery System at Vijaipur, which will help in reducing the carbon foot print from Vijaipur in addition to increase in the production of urea. Your Company is also installing Purge Gas Recovery System and Process Air Compressor at Vijaipur to increase production and improve energy efficiency of the plant. On the safety front, Panipat Unit has been awarded Shreshtha Suraksha Puraskar by National Safety Council and National Level Safety Award from Fertilizer Association of India for excellence in safety.

The Government has notified the New Investment Policy 2012 in the urea sector with the objective of encouraging investments to increase indigenous capacities. It is expected that fresh investments shall come for expansion, revival and setting up of new projects. The Government has also decided to implement direct cash transfer to the farmers in a phased manner, which would help target small, marginal and other farmers. Urea price is abnormally low, which is leading to excessive use of this fertilizer in comparison to P & K Nutrients.

Notification of New Investment Policy (NIP), 2012 in the urea sector provides an opportunity to make investments in the sector. Government of India on nomination basis has allotted NFL and Engineers India Limited (EIL) for revival of closed unit of Fertilizer Corporation of India Limited (FCIL) at Ramagundam. This venture will provide the Company an opportunity to establish itself as a market leader in urea.

Capacity augmentation of urea projects at Vijaipur-I & II and switchover of feed-stock from fuel-oil to Natural Gas at Bathinda, Panipat and Nangal has provided an opportunity for the Company to consolidate its position in urea production at competitive cost.

Company has a well-knit marketing set-up and dealer-network with significant presence in Northern and Central India. With the implementation of Nutrient Based Subsidy (NBS), there is an opportunity for undertaking trading of P&K fertilizers. Company is also conducting feasibility study of installation of Single Super Phosphate (SSP) plant at Panipat. Trading of agro-inputs like seeds, compost and pesticides is also being explored on large scale. Company also sees an opportunity in use of customized fertilizers.

Timely monsoons in North India will give a boost to the fertilizer consumption. Company would use this opportunity to have better sales and cutting down inventory.

To comply with the market regulator Securities and Exchange Board of India (SEBI) norms, the Government of India has further divested 7.64 percent of its stake in the Company thereby reducing its holding to 90%. As per the SEBI norms, Government's shareholding in the listed government companies should be below 90 percent.

Since its inception, NFL has ever performed well. May it be production, marketing or finance, the Company has requisite strengths to meet the internal and external challenges. The present situation is also challenging one. I am confident that Company will continue to retain its position, which it has achieved after years of toil and hard work and serve the nation.

Place: New Delhi
Date: 3rd August, 2013



(R. G. Rajan)
Chairman & Managing Director

Performance at a Glance

Financial Highlights

(₹ in crore)

Particulars	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Sales (Gross)	1727	1978	1886	1704	1697	1640	1664	1647	1745	1749
Subsidy	5020	5363	3918	3396	3444	2518	2217	1957	1748	1657
Turnover (Gross) (incl. Subsidy)	6747	7341	5804	5100	5141	4158	3881	3604	3493	3406
Earnings before depreciation, interest and tax (EBDITA)	17	342	302	365	293	262	387	312	357	329
Interest and Finance Charges	130	67	9	11	41	17	17	8	22	34
Depreciation	118	91	89	94	96	89	106	125	120	176
Profit before Tax	-231	184	204	260	156	156	264	179	215	119
Profit after Tax	-171	127	139	172	97	109	176	116	161	85
Gross Fixed assets	5717	2958	2930	2924	2906	2925	2903	2897	2862	2846
Net Fixed Assets	3501	550	599	666	734	809	871	963	1050	1153
Current Assets, Loans & Advances	4285	3206	2244	2082	1524	1443	1693	1272	1007	1147
Current Liabilities & Provisions	2250	1600	998	794	885	816	692	553	601	372
Working Capital	2035	1606	1246	1288	639	627	1001	719	406	775
Borrowings	# 5615	2985	613	403	265	525	327	227	60	618
Net Worth	1584	1754	1672	1582	1471	1408	1371	1256	1186	1080
Capital Employed (Net Fixed Assets + Working Capital)	5536	2156	1845	1954	1373	1436	1872	1682	1456	1928
Production (Urea) (Lakh MT)	32.11	34.01	33.80	33.30	33.44	32.68	33.51	33.44	34.32	32.50
Capacity Utilisation (Urea) (%)	91.94	105.3	104.6	103.1	103.5	101.1	103.7	103.5	106.2	100.6
Sales (Urea) (Lakh MT)	31.62	33.89	33.59	33.78	33.77	32.38	33.54	33.63	34.73	33.87
Employees (Nos.)	4291	4515	4699	4760	4868	4910	4736	4862	4853	4940

Key Indicators

EBDITA/ Turnover (%)	0.25	4.66	5.20	7.16	5.70	6.30	9.97	8.66	10.22	9.66
Return on Net Worth (%)	-	7.24	8.31	10.87	6.59	7.74	12.84	9.24	13.58	7.87
Return on Capital Employed (%)	-	5.88	7.51	8.78	7.10	7.56	9.41	6.92	11.06	4.41
Earning per Share of ₹10 (₹)	-	2.58	2.82	3.50	1.99	2.21	3.59	2.37	3.28	1.73
Debt/Equity	# 3.55 : 1	1.70 : 1	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1
Current Ratio	1.90 : 1	2.00 : 1	2.25 : 1	2.62 : 1	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1
Value Added per Employee (₹ in Lakhs)	23	26	23	23	20	19	19	17	18	17
Dividend (₹ in Crores)	-	38.27	41.70	51.51	29.43	32.60	52.83	40.74	48.27	25.51
Dividend as % of Equity	-	7.80	8.50	10.50	6.00	6.65	10.77	8.30	9.84	5.20

Debt -Equity ratio includes debt of ₹ 3451 crores borrowed by company for Feed Stock Conversion Project from 'LSHS/FO' to 'Gas' at Nangal, Bathinda and Panipat Unit which under the GoI Policy will be reimbursed to the Company as Capital Subsidy.

Directors' Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 39th Annual Report on the business and operations of the Company together with the Audited Financial Statements for the Financial Year 2012-2013.

Your Company was incorporated in the year 1974 for implementation of two fertilizer plants at Panipat and Bathinda with annual installed capacity of 5.11 lakh tonnes of urea each. The commercial production from these plants commenced in 1979. In April, 1978, the Nangal Group of Plants of Fertilizer Corporation of India Limited (FCIL) were transferred to NFL consequent upon reorganization of NFL-FCIL. The Government of India (GoI) in 1984 entrusted the Company to execute the country's first inland gas based urea project at Vijaipur in Madhya Pradesh, which commenced commercial production w.e.f. 1st July, 1988. Expansion of Vijaipur Plant was taken up in the year 1993 for doubling its capacity. The commercial production from Vijaipur Expansion Plant commenced w.e.f. 31st March, 1997. Company successfully completed the revamping of urea plant at Nangal and commercial production commenced from 1st February, 2001.

Presently, the Company has five urea production plants, one each at Panipat, Bathinda and Nangal and two plants at Vijaipur with a total installed capacity of 35.68 lakh tonnes and has grown to the status of being the second largest producer of urea in the country. This financial year has been a happening year in terms of growth plans of the Company. Capacity Augmentation of Ammonia and Urea Plants undertaken at Vijaipur-I and II Units got completed during the year including installation of Carbon Dioxide Recovery Plant. Company has also implemented the feedstock conversion projects at Panipat, Bathinda and Nangal Units by changing over the feed-stock from fuel-oil to Natural Gas. Since all the five units took up shutdown during the financial year for hooking up and commissioning activities of the projects, urea production was adversely affected.

FINANCIAL HIGHLIGHTS

During the year under review, the Company achieved turnover of ₹ 6747 crore (previous year ₹ 7341 crore). The lower turnover was primarily due to lower urea production as all the Units were under shutdown for hooking up and commissioning activities of the projects. The earnings before interest, depreciation and tax (EBIDTA) at ₹ 74.19 crore were lower than ₹ 342 crore achieved in previous year. The loss before tax was ₹ 230.62 crore (previous year profit ₹ 184.20 crore) and loss after tax was ₹ 170.73 crore (previous year profit ₹ 126.73 crore). The main reasons for loss include: -

- Lower production / sale because of shut-downs taken for commissioning of Urea Capacity Enhancement Projects at Vijaipur and changeover of feedstock from Fuel-oil to Natural Gas at Nangal, Bathinda and Panipat Units;
- Decrease in sale and contribution of industrial products due to non-availability of cheaper ammonia; non-availability of gases; sulphur and argon gas at three Fuel-oil based Units post commissioning.
- Provision for Purchase Tax liability pertaining to previous years.
- Higher interest expenditure mainly due to delay in receipt of subsidy.

BORROWINGS

The short-term borrowings of the company as at 31st March, 2013, stood at ₹ 1703.29 crore including cash credit utilization, short-term loans, working capital demand loan, etc. (₹ 1383.82 crore as at 31st March, 2012). Delay in receipt of urea subsidy lead to more borrowings for meeting working capital requirements.