



**Sustainable growth,
greener prosperity**



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

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

Ms. Neeru Abrol
Chairperson & Managing Director

Capt. Pavan Kumar Kaul
Director (Marketing)

Sh. M. Sagar Mathews
Director (Technical)

Corporate Heads

Dr. Harish Chandra Singh (IPS)
Chief Vigilance Officer

Chief General Managers(S/Shri)

Rajiv Johri
Materials

Tek Chand
Company Secretary

J. M Kapoor
CMD (Sectt.)

General Manager I/c (S/Shri)

N. R. Satyapalan
Management Services

A. K. Asija
Law

M. S. Tolia
Human Resource Development & Public Relations

R. K. Chopra
Technical & Project

S. Gawande
Marketing

Sunil Bhatia
Finance & Accounts

UNIT HEADS (S/Shri)

K. K. Chaturvedi
CGM, Nangal Unit

S. K. Jindal
CGM, Panipat Unit

A. K. Lahiri
GM I/c, Vijaipur Unit

D. S. Ahuja
GM I/c, Bathinda Unit

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

M/s DSP & Associates,
Chartered Accountant,
New Delhi

M/s Prem Kumar Gupta & Co.
Chartered Accountant,
New Delhi

REGISTRAR & TRANSFER AGENTS

MAS Services Limited
T-34, IInd Floor,
Okhla Industrial Area -II,
New Delhi -110020

Board of Directors



Ms. Neeru Abrol

Chairperson & Managing Director



Capt. Pavan Kumar Kaul

Director (Marketing)



Shri M. Sagar Mathews

Director (Technical)



Shri Rajiv Yadav

Addl. Secretary &
Financial Advisor, DoF



Shri M. Raman

Independent Director



Shri Vikram Srivastava

Independent Director



Shri Gurinderjit Singh Sandhu

Independent Director

Chairman's Message



Dear Shareowners,

I am happy to share with you that after successful commissioning of our feedstock changeover projects at Nangal, Bathinda & Panipat and Capacity Augmentation & Energy Saving projects at Vijaipur Unit, the plants are stabilizing and have started giving sustained production. Despite facing financial challenges, the Company is on the recovery path.

Before deliberating on the performance, I would like to briefly talk about the state of economy and in particular fertilizers scenario during 2013-14.

Economic Scenario & Fertilizer Industry

Though the slowdown in Indian Economy continued during 2013-14, the Indian economy is more stable now after the instability of two years. Indian economic growth is estimated to be at 4.8%. The fiscal deficit is declining, the current account deficit has been contained, inflation has moderated, quarterly growth rate is on the rise and the exchange rate is now showing the signs of stability. However, the domestic macro-economic environment still remains challenging.

The fertilizer sector is also facing challenges due to lack of availability of adequate quantum of domestic gas which is the basic raw material for manufacturing of fertilizers. The industry is heavily dependent on imported raw materials. The high price of imported raw materials & imposition of custom duty on it increases the cost of production and subsidy of government and also impacts the industry by way of increased working capital requirements.

The chemical fertilizers have played an important role in making the country self reliant in food grain production. Indian fertilizer industry has emerged as a world class industry in terms of use of state of the art production technologies, high energy efficiency and excellent record in the areas of safety and environment. In spite of laudable achievements, there have been certain developments, which are a cause of concern. Intensive agriculture without balanced use of farm nutrients is affecting health of Indian soils, which are increasingly facing deficiency of nutrients. The recent Economic Survey has said that availability and consumption of NPK fertilizers have been skewed towards nitrogen or urea since the rollout of the Nutrient Based Subsidy (NBS) in 2010. The indiscriminate use of NPK has led to imbalanced use of soil nutrients, especially in Haryana and Punjab, leading to deterioration in soil quality and declining growth in land productivity in these States. The survey further said that NBS scheme had shortcomings, since urea was kept out of its ambit, which has defeated the objective of balanced use of nutrients. To achieve a balance in nutrient use, there is a need to revisit the fertilizers related policies by the government.

Under the prevailing policies, the fertilizer industry is finding it difficult to generate surpluses for research & development activity, extension services and investment in capacity additions. There is a need to encourage R&D activities in the field of alternate feedstock for production of urea to overcome the shortage in availability of low priced gas. There is also a need for creation of a sovereign fund for funding the investment to acquire assets of raw materials abroad.

Performance Highlights

Despite challenges, your Company has achieved some important milestones this year. I am happy to share with you that your Company has achieved ever-best urea production of 36.36 lakh MT. There has also been ever-best urea sale of 36.87 lakh MT. The Company also achieved record production of 12.63 lakh MT of Neem coated urea during the year.

Vijaipur units as a complex produced 21.69 lakh MT of urea during the year, which is also the ever-highest production achieved in a year. Vijaipur I and Vijaipur II achieved a capacity utilization of 100.66% and 109.06% of their revamped capacity respectively.

During the Financial Year 2013-14, the Company has successfully commissioned and declared commercial production of Ammonia Feedstock Change over Project from fuel oil to natural gas at Nangal on 18th July, 2013.

Your Company has reported a net loss of Rs. 89.71 crore against the loss of Rs. 170.73 crore incurred during previous year. The reduction in loss is mainly attributed to higher production and sale, lower energy consumption, decrease in repairs and maintenance expenditure etc. and has been partially offset by increase in interest expenditure due to delay in receipt of subsidy and increase in input prices. A positive development for the Company has been the notification of Modified New Pricing Scheme of Urea by Government of India on 2nd April, 2014. Under the modified scheme, additional fixed cost and vintage allowance shall be reimbursed to the Company, which will have a positive effect on profitability of the Company from the financial year 2014-15.

Further, Government has also allocated 0.75 mmssmd domestic gas to Bathinda Unit, which shall reduce subsidy outgo for the Government as well as working capital requirement for the Company. Your Company is maintaining continuous focus on energy conservation as this is a major component in the manufacturing cost of urea.

Manpower

The skilled and professional manpower remains the strength of your Company. The company is adopting good HR practices with this objective in mind.

The Company has manpower strength of 4068 employees as on 31st March, 2014. Since large numbers of employees have superannuated in previous years, your Company has been keenly involved in manpower planning to ensure steady availability of suitable manpower. To fill this gap, the Company has been conducting efficient & timely recruitment. Recently, the company has completed the recruitment process of 49 engineers as Management Trainees.

To improve the skill and expertise of the existing employees, various training programmes were organized during the year. These employees were trained in the areas of Marketing, Finance, Office Procedures, and Health in addition to developing their general management skills.

Services to Farmers

To encourage the balanced and efficient use of fertilizers by farmers, your Company is playing a catalytic role in transfer of improved farm technology to them through a variety of educational programmes, field demonstrations, Kisan Melas, crop seminars and farmers study tours. Farmers are provided free Mobile Soil Testing Service at their doorsteps and they are encouraged to use fertilizers based on soil test recommendations to maximise output. During the year, a project was undertaken by NFL in 25 farmer fields to promote soil test based farming.

Integrity Pact

To maintain the highest standard of transparency and governance, your Company has entered into an Integrity Pact with Transparency International. The Company has appointed Independent External Monitors, persons of impeccable integrity, with the approval of Central Vigilance Commission, to oversee the implementation and effectiveness of the Integrity Pact. The signing of Integrity Pact in the Company will help in bringing more transparency in the contracting and procurement operations. The Pact will be applicable on all contracts of NFL of value above Rs. 1 crore.

CSR Activities

The Company is committed towards upliftment of underprivileged sections of the society and has supported various social and community initiatives touching the lives of large number of people. The major focus of CSR activities is on creating awareness about health and hygiene, children education, women empowerment, skill development for self-employment, rain-water harvesting and ground water recharging, promotion of non-conventional energy resources.

Sustainable Development

Your Company has taken various initiatives in adopting best practices in environment management and energy conservation which lead to Sustainable Development. Modern methods and latest technologies such as 'International Sustainable Rating System', 'Total Quality Management' and 'Hazard and Operability Study' are being implemented to improve process safety.

Trial runs have been conducted to improve efficiency of coal fired boilers in Nangal, Bhatinda and Panipat units using coal additives.

Afforestation has been adopted in all the units to improve the environment surrounding the units. A total of 15540 tree saplings were planted in and around various units leaving a cleaner and greener earth for future generation. To increase the sub soil water level, all the units are under process of installation of Rain Water Harvesting system.

Initiatives have been taken to tap solar power as an alternative source of energy. Bhatinda unit is under process of installation of 90 KW Solar Power Plant and similarly Corporate Office, Noida is installing 100 KW Solar Power Plant to serve a part of its total power requirement.

Information Technology

The Company is making use of information technology in various business functions. Implementation of Enterprise Resources Planning (ERP) software is in progress. This will help in integrating all functional areas across the company for a speedy and accurate decision making process. A secured and robust data center shall be set up to house the ERP application, subsequently followed by a Disaster Recovery Center to ensure interruption free operations.

Across Company, e-procurement, e-payment and e-receipt facilities are in use extensively, which has brought about efficiency and transparency in the business system.

Awards & Accolades

I am happy to inform you that your Company has received number of prestigious Safety awards during the year. To mention a few, the Panipat Unit has won National Level Safety Award "Shreshtha Suraksha Puraskar" given by National Safety Council (NSC), Mumbai (India) and has also received FAI award for excellence in Safety for 2012-13. The Bathinda Unit has won NSC safety award "Parsansa Patra" for 2012 and has also received first prize "Punjab State Safety award 2013" from the Department of Labour, Punjab. Many other awards were received in the area of Safety.

New Initiatives

Your Company is exploring various options to use Petroleum Coke as fuel in its plants. Considering non-availability of sufficient domestic gas and steep increase in price of Re-gasified Liquefied Nitrogen Gas (RLNG), the Company is examining the feasibility of utilization of the redundant section for Petroleum Coke gasification, so that it becomes an alternate cheaper feedstock.

Keeping in view the demand for Bentonite Sulphur, feasibility is being assessed for setting-up of Bentonite sulphur plant at Company's Panipat Unit.

NFL and Engineers India Limited (EIL) have undertaken the revival of Ramagundam unit of Fertilizers Corporation of India Limited (FCIL). NFL will have a 26% equity participation in this joint venture. Company also

plans to import fertilizers for trading through its distribution network.

Your Company is also undertaking R&D study to explore possibility for production of Sulphate of Potash/ Murate of Potash and making endeavors to produce and market quality seeds of various high yield variety crops under its own brand.

For the last four decades, NFL is adding to India's agricultural prosperity and it promises to continue making these efforts. Your Company is looking at several options for diversifying in other businesses to ensure sustained growth. I am confident that with the support of Government and all stake holders, your Company would march ahead successfully from strength to strength.

(Neeru Abrol)

Chairman & Managing Director

DIN: 01279485

Registered Office:

Scope Complex, Core 3,
7 Institutional Area, Lodhi Road,
New Delhi-110003

Date : 31st July, 2014

Performance at a Glance

Financial Highlights

(₹ in crore)

Particulars	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
Sales (Gross)	1995	1727	1978	1886	1704	1697	1640	1664	1647	1745
Subsidy	6048	5020	5363	3918	3396	3444	2518	2217	1957	1748
TURNOVER (Gross) (incl. Subsidy)	8043	6747	7341	5804	5100	5141	4158	3881	3604	3493
Earnings before depreciation, interest and tax (EBDITA)	172	17	342	302	365	293	262	387	312	357
Interest and Finance Charges	204	130	67	9	11	41	17	17	8	22
Depreciation	129	118	91	89	94	96	89	106	125	120
Profit/(Loss) before Tax	-161	-231	184	204	260	156	156	264	179	215
Profit/(Loss) after Tax	-90	-171	127	139	172	97	109	176	116	161
Gross Fixed assets	7182	5717	2958	2930	2924	2906	2925	2903	2897	2862
Net Fixed Assets	4682	3501	550	599	666	734	809	871	963	1050
Current Assets, Loans and Advances	6743	4285	3206	2244	2082	1524	1443	1693	1272	1007
Current Liabilities and Provisions	1163	1430	1600	998	794	885	816	692	553	601
Working Capital	5580	2855	1606	1246	1288	639	627	1001	719	406
Borrowings	7558	5615	2985	613	403	265	525	327	227	60
Net Worth	1494	1584	1754	1672	1582	1471	1408	1371	1256	1186
Capital Employed (Net Fixed Assets + Working Capital)	10262	6356	2156	1845	1954	1373	1436	1872	1682	1456
Production (Urea) (Lakh MT)	36.36	32.11	34.01	33.80	33.30	33.44	32.68	33.51	33.44	34.32
Capacity Utilisation (Urea) (%)	101.92	91.94	105.3	104.6	103.1	103.5	101.1	103.7	103.5	106.2
Sales (Urea) (Lakh MT)	36.87	31.62	33.89	33.59	33.78	33.77	32.38	33.54	33.63	34.73
Employees (Nos.)	4068	4291	4515	4699	4760	4868	4910	4736	4862	4853

Key Indicators

EBDITA/ Turnover (%)	2.14	0.25	4.66	5.20	7.16	5.70	6.30	9.97	8.66	10.22
Return on Net Worth (%)	-	-	7.24	8.31	10.87	6.59	7.74	12.84	9.24	13.58
Return on Capital Employed (%)	-	-	5.88	7.51	8.78	7.10	7.56	9.41	6.92	11.06
Earning per Share of ₹10 (₹)	-	-	2.58	2.82	3.50	1.99	2.21	3.59	2.37	3.28
Debt/Equity	#2.36 :1	#2.47 :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
Current Ratio	5.80 :1	3.00 :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
Value Added per Employee (₹ In Lakhs)	28	24	26	23	23	20	19	19	17	18
Dividend (₹ In Crores)	-	-	38.27	41.70	51.51	29.43	32.60	52.83	40.74	48.27
Dividend as % of Equity	-	-	7.80	8.50	10.50	6.00	6.65	10.77	8.30	9.84

Debt - Equity ratio includes debts of ₹3850 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 40th Annual Report on the business and operations of the Company together with the Audited Financial Statements for the Financial Year 2013-2014.

I am pleased to inform you that your Company has completed the financial year 2013-14 an affirmative note. Even after so many constraints on production front, Company has been able to produce 36.36 lakh MT of urea, which is 102% of the installed capacity. This is the highest ever production of urea in a year by the Company. Another milestone has been achieved in terms of all time high dispatches of 36.90 lakh MT, sale of 36.87 lakh MT of urea and highest ever realization of funds. The record sale of 12.65 lakh MT of Neem-coated urea during the year indicates an upward trend in terms of popularity of this value added product, which has been pioneered by the Company. However, the losses incurred by the Company during 2013-14 though lower than last year, remained a cause of concern. Your Company is the second largest producer of Urea with market share of 16%.

A positive development for the Company has been on the part of Government Pricing Policy on urea. The Government has notified the Modified New Pricing Scheme (NPS-III). Under the modified Scheme, additional fixed cost and Vintage Allowance shall be reimbursed to the Company, which will have a positive effect on profitability of the Company from the financial year 2014-15 onwards.

It is a pleasure to inform you that with declaration of commercial production of ammonia feedstock changeover project at Nangal in the year 2013-14, urea produced by your Company at all the Units is now based on cleaner and greener raw material, Natural Gas.

FINANCIAL HIGHLIGHTS

During the year under review, the Company achieved turnover of ₹ 8017 crore (previous year ₹ 6720 crore). The earnings before interest, depreciation and tax (EBIDTA) was ₹171.90 crore against ₹ 74.88 crore of the previous year. The loss before tax was ₹161.16 crore (previous year loss ₹230.62 crore) and loss after tax was ₹89.71 crore (previous year loss ₹ 170.73 crore). The loss is mainly attributed to shut-down taken at Nangal for feed stock conversion projects, increase in interest due to delay in receipt of subsidy and increase in input prices.

Deferred Tax Assets amounting to Rs.60.35 crore(net) have been recognized as on 31st March, 2014 in respect of unabsorbed depreciation and losses carried forward for set-off against taxable income in future based on notification dated 3rd April, 2014 of Modified New Pricing Policy of urea by Government of India thereby having convincing evidence of certainty of utilization of deferred tax assets.

SHORT-TERM BORROWINGS

The short-term borrowings of the company as at 31st March, 2014, stood at ₹ 4039.67 crore (₹1703.29 crore as at 31st March, 2013), which include cash credit utilization, short-term loans, working capital demand loan, commercial papers, etc. Delay in receipt of urea subsidy and increase in input prices lead to more borrowings for meeting working capital requirements. Short-term borrowings included borrowings of ₹1915 crore under Special Banking Arrangement of Government.

LONG-TERM BORROWINGS

Changeover of feed stock from LSHS/FO to Gas at Nangal, Panipat and Bathinda units was funded by Rupee Term Loan of ₹3850 crore from consortium of thirteen Banks with SBI as lead Bank and ₹216 crore through own generation of funds. As on 31st March, 2014 long term loans of ₹3080 crore were outstanding. These funds are reimbursed by Government of India under the policy over a period of five years post declaration of commercial production for changeover of feedstock projects.