



41st

ANNUAL REPORT

2014-2015

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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BOARD LEVEL

Shri Manoj Mishra

Chairman & Managing Director

Capt. Pavan Kumar Kaul

Director (Marketing)

Shri M. Sagar Mathews

Director (Technical)

Shri Rajiv Kumar Chandiok

Director (Finance)

CORPORATE HEADS (S/Shri)

Vigilance

Dr. Harish C. Singh (IPS)

Chief Vigilance Officer

Law

A. K. Asija

Chief General Manager

Human Resource

D. P. Singh

General Manager I/c

Technical & Project

R. K. Chopra

General Manager I/c

F & A and Internal Audit

Sunil Bhatia

General Manager I/c

Materials

J. P. Sachdeva

General Manager

Marketing

Subodh Gawande

General Manager

N. K. Sharma

General Manager

Rajan Gupta

General Manager

Ramagundam, AFCP, Vijaipur Project

Pramod Kumar

General Manager

Human Resource

M. K. Agarwal

General Manager

Company Secretariat

Raj Kumar

Company Secretary

UNIT HEADS (S/Shri)

K. K. Chaturvedi

CGM, Nangal Unit

A. K. Lahiri

GM I/c, Vijaipur Unit

S. K. Jindal

CGM, Panipat Unit

D. S. Ahuja

GM I/c, Bathinda Unit

AUDITORS

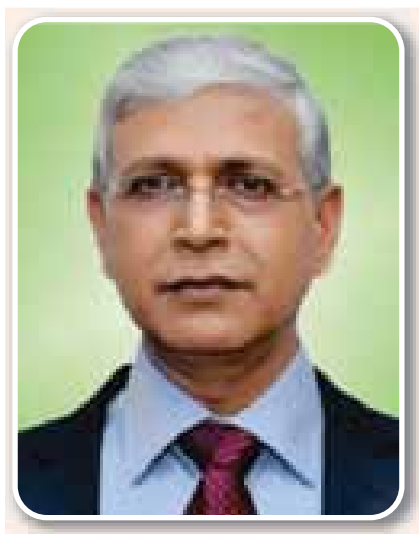
M/s M. L. Puri & Company,
Chartered Accountants,
New Delhi

M/s Chandiok and Guliani
Chartered Accountants,
New Delhi

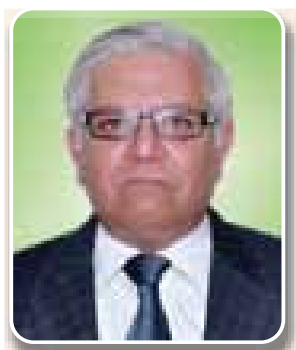
REGISTRAR & TRANSFER AGENTS

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

Board of Directors



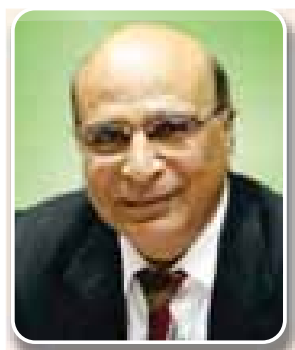
Shri Manoj Mishra
Chairman & Managing Director



Capt. Pavan Kumar Kaul
Director (Marketing)



Shri M. Sagar Mathews
Director (Technical)



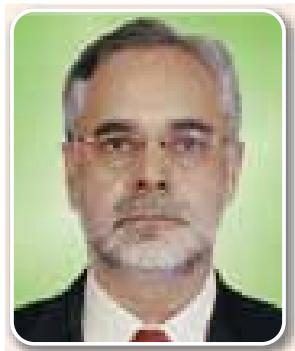
Shri Rajiv Kumar Chandiok
Director (Finance)



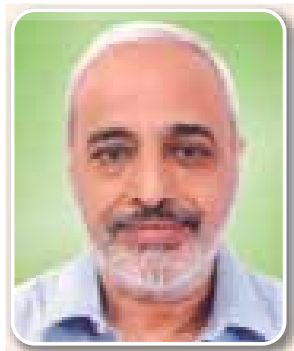
Shri Rajiv Yadav
Special Secretary &
Financial Advisor, DoF



Shri Vikram Srivastava
Independent Director



Shri Gurinderjit Singh Sandhu
Independent Director

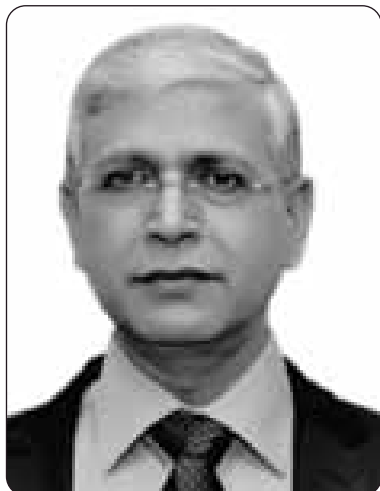


Shri M. Raman
Independent Director



Shri Rakesh Kumar
Dy. Secretary, DoF

Chairman's Message



Dear Shareholders,

I am happy to share with you that despite challenges, your Company has performed well during the financial year 2014-15. Among other achievements, the Company has achieved best ever Urea Production of 36.39 lakh MT and best ever Neem Coated Urea Production of 13.65 Lakh MT. The company has turned around during 2014-15 and has registered a profit after a gap of two years.

Before deliberating on the performance, I would like to briefly talk about the state of economy and in particular fertilizers scenario during 2014-15.

Economic Scenario & Fertilizer Industry

The last year has been a good one for the Indian economy with a sea change in the macroeconomic parameters. At a time when concerns have been raised about global growth prospects, India has emerged among a few large economies with propitious economic outlook. As the GDP growth is expected to be 7.4%, there has been a lot of positivity built around the India growth story and India seems to be poised to enjoy another spurt in growth.

The growth of Indian economy underlines the importance of improving the agriculture productivity to meet the growing demand for food to provide food security to the entire nation. The role of chemicals fertilizers in making the country self-reliant in food grain production shall remain important in boosting agricultural production and productivity.

The Government has recently announced various policies to set up new Urea plants, maximize production from the existing capacities, manufacture of fortified fertilizers, and optimization of energy consumption of the plants.

Performance Highlights

Operating in a challenging environment, your Company performed well in the year 2014-15. The Company has achieved highest ever annual production of 36.39 Lakh MT of urea with a capacity utilization of 102%. This also includes record production of Neem Coated urea of 13.65 lakh MT which is 37.51% of total urea production. The Company has also excelled on marketing front by selling 36.79 lakh MT of urea. Your Company is the second largest domestic producer of Urea with market share of 16%.

The Company achieved highest ever turnover of ₹8519.69 crore during the year. After having losses continuously for two years, the Company has been able to register the profit before tax of ₹44.72 crore.

During the year 2014-15, energy consumption at all the Units was within norms and was also lower than that achieved in the Cumulative Period Last Year. Vijaipur-I achieved ever-best energy consumption of 5.75 Gcal/MT urea. In order to further reduce energy consumption at Vijaipur-II, installation of Purge Gas Recovery Plant in Ammonia Plant has been undertaken. Preventive maintenance practices have been adopted for reducing the down time leading to improved energy consumption.

Manpower

The Company considers its Human Resource as its most important asset and makes sustained efforts for the development of its manpower. The Company has a manpower strength of 3798 employees as on 31.3.2015, which comprises of 1771 Executives and 2027 Non-Executives The company is currently getting geared up for a major recruitment drive to address the serious problem of manpower scarcity arising out of superannuation of many experienced technical and other professionals.

To improve skills and to instill behavioral and personality development traits in all supervisory staff and managerial cadre, Company organized a number of training programmes (in-house as well as external) on contemporary subjects during the year. The training programmes were identified through Performance Management System by synchronizing organizational needs with individual needs. In these diverse programmes, 11560 man-days training

was imparted to employees. The Company organized specially designed training programmes for development of women employees in various areas of expertise.

Services to Farmers

To encourage 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 maximize output.

During the year, your Company organized 51 farmer training programs, carried out 330 demonstrations and participated in 32 Krishi melas organized by leading Agriculture Universities. Company's soil testing laboratory was upgraded for testing of micro-nutrients also. More than 39,000 soil samples for macro-nutrients and more than 2,000 samples for micro-nutrients were analyzed and recommendations given to the farmers. Your company also successfully implemented Mobile based Fertilizer Monitoring System (mFMS) introduced by Department of Fertilizers for tracking the movement of fertilizers from the Plant/Port to the farm gate.

CSR Activities

Your Company is operating its business in a socially responsible manner by considering the wider interests of the community and environment. The Company has formed a Committee of Directors to guide the CSR activities.

The core areas identified were construction of girl's toilets in schools, soil testing and solar lights in remote villages.

Sustainable Development

Your Company has taken various initiatives in adopting best practices in environment management and energy conservation which lead to Sustainable Development. With an effort to reduce consumption of fossil fuel, efficiency of Coal fired Boilers in Nangal, Bathinda and Panipat units is being improved by using various techniques such as use of Coal additives.

The company has adopted afforestation in all the units to improve the environment surrounding the units. A total of 15652 tree saplings were planted in and around various units for sustainability of future generation.

Your Company is committed to promote ecologically sustainable growth by generating green power through Solar Power Plant and has installed 90 KW Solar Power Plant in Bathinda unit and 100 KW Solar Power Plant in Corporate Office, Noida.

Information Technology

The Company is making use of information technology in various business functions. The Company is in the process of implementing ERP to seamlessly integrate all functional areas across the company for speedy & accurate decision making. This will also bring in further transparency in all functions of the company. Further, the Company is setting up Video conferencing facility amongst Corporate Office & Plants for conducting video conferencing meetings and knowledge sharing. This will help in faster communication within organization resulting in reduction in costs and time. The company also plans to introduce video conferencing based seminars from single point for employees. 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 share with you that your Company has received number of prestigious awards during the year in the area of Safety, Technical Innovation and Energy Conservation. To mention a few, the Bathinda and Panipat units have won a number of safety awards during the year from State and National Safety Councils. Bathinda Unit received First Prize for "Largest reduction in accident frequency rate in chemical industry for more than 5 lac man hours" from Punjab Industrial Safety Council (PISC). Vijaipur Unit received "FAI Best Technical Innovation Runner Up Award-2014". Further, Panipat Unit received First prize "National Energy Conservation Award-2014" in Fertilizer sector from Bureau of Energy Efficiency (BEE), Ministry of Power. Nangal Unit received "Skoch Renaissance Award-2014" for Ammonia Feedstock Changeover Project (AFCP) as the best project in the country.

Creating Drivers of growth

Your company is leveraging opportunities of an emerging economy that best matched its proven competencies. Towards this path, your company has formed a Joint Venture Company "Ramagundam Fertilizers & Chemicals Limited" with Engineers India Limited (EIL) and Fertilizer Corporation of India (FCIL) for setting up new state of the art gas based 2200 MTPD Ammonia plant and 3850 MTPD Urea plant at Ramagundam. Detailed feasibility report for a Capex of ₹5254 crore has been submitted to Deptt. of Fertilizers in this regard. The project is envisaged to be commissioned in the year 2018-19.

Keeping in view the demand for Bentonite Sulphur, the company is planning to put a Bentonite Sulphur Plant at Panipat.

To meet the growing demand of Water Soluble Fertilizer in the country, The Company is in the process of producing Water soluble fertilizers at Nangal Unit. The production shall, subsequently, be increased in future.

To explore the possibility of production of MoP in the country as a step towards Make in India, your Company is planning to install MoP plant by recovering potash from salt in the little Rann of Kutch. It will help in small substitution of imported MoP resulting in saving of foreign exchange.

In addition to above, your Company has taken various initiatives for energy conservation such as include Purge Gas Recovery (PGR) Plant at Vijapur-II at an investment of ₹ 29 crore.

Acknowledgements

On behalf of the Board of Directors, I extend sincere gratitude to our esteemed shareholders for their continuing confidence and support. I also wish to express my thanks to the Department of Fertilizers, Fertilizer Industry Coordination Committee (FICC), Railways, other Ministries and Departments of the Government of India and the various State Governments for their valuable guidance and look forward to their continued support.

I would like to thank Statutory, Cost and Government Auditors, Banks, Regulatory Authorities for their guidance and support. I sincerely thank all our customers and business associates for their continued support. I would like to thank all our employees for their commitment, hard work and contribution to the Company's performance.

Before I conclude, I would like to take this opportunity to thank my colleagues on the Board for their counsel, involvement and commitment in achieving the objectives of the Company.

Registered Office:

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

Date : 12th August, 2015

(Manoj Mishra)

Chairman & Managing Director
DIN: 06408953

Performance at a Glance

Financial Highlights

(₹ in crore)

Particulars	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Sales (Gross)	2092	1995	1727	1978	1886	1704	1697	1640	1664	1647
Subsidy	6461	6048	5020	5363	3918	3396	3444	2518	2217	1957
TURNOVER (Gross) (incl. Subsidy)	8553	8043	6747	7341	5804	5100	5141	4158	3881	3604
Earnings before depreciation, interest and tax (EBDITA)	419	172	17	342	302	365	293	262	387	312
Interest and Finance Charges	301	204	130	67	9	11	41	17	17	8
Depreciation	73	129	118	91	89	94	96	89	106	125
Profit/(Loss) before Tax	45	-161	-231	184	204	260	156	156	264	179
Profit/(Loss) after Tax	26	-90	-171	127	139	172	97	109	176	116
Gross Fixed assets	7227	7182	5717	2958	2930	2924	2906	2925	2903	2897
Net Fixed Assets	4443	4682	3501	550	599	666	734	809	871	963
Current Assets, Loans and Advances	7311	6743	4285	3206	2244	2082	1524	1443	1693	1272
Current Liabilities and Provisions	6777	6041	1430	1600	998	794	885	816	692	553
Working Capital	534	702	2855	1606	1246	1288	639	627	1001	719
Borrowings	7645	7558	5615	2985	613	403	265	525	327	227
Net Worth	1481	1494	1584	1754	1672	1582	1471	1408	1371	1256
Capital Employed (Net Fixed Assets + Working Capital)	4977	5384	6356	2156	1845	1954	1373	1436	1872	1682
Production (Urea) (Lakh MT)	36.39	36.36	32.11	34.01	33.80	33.30	33.44	32.68	33.51	33.44
Capacity Utilisation (Urea) (%)	101.99	101.92	91.94	105.3	104.6	103.1	103.5	101.1	103.7	103.5
Sales (Urea) (Lakh MT)	36.79	36.87	31.62	33.89	33.59	33.78	33.77	32.38	33.54	33.63
Employees (Nos.)	3798	4068	4291	4515	4699	4760	4868	4910	4736	4862

Key Indicators

EBDITA/ Turnover (%)	4.90	2.14	0.25	4.66	5.20	7.16	5.70	6.30	9.97	8.66
Return on Net Worth (%)	1.77	-	-	7.24	8.31	10.87	6.59	7.74	12.84	9.24
Return on Capital Employed (%)	0.53	-	-	5.88	7.51	8.78	7.10	7.56	9.41	6.92
Earning per Share of ₹10 (₹)	0.53	-	-	2.58	2.82	3.50	1.99	2.21	3.59	2.37
Debt/Equity	#3.65	#3.06 : 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
Current Ratio	1.08 : 1	1.12 : 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
Value Added per Employee (₹. In Lakhs)	39	32	24	26	23	23	20	19	19	17
Dividend (₹. In Crores)	8.34	-	-	38.27	41.70	51.51	29.43	32.60	52.83	40.74
Dividend as % of Equity	1.70	-	-	7.80	8.50	10.50	6.00	6.65	10.77	8.30

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.

Board Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 41st Annual Report on the business and operations of the Company together with the Audited Financial Statements for the Financial Year 2014-2015 and the Auditors' Report and comments on the accounts by the Comptroller & Auditor General of India (C&AG).

I am glad to share with all of you that your Company has turned around and performed well in the year 2014-15. The Company has achieved highest ever annual production of 36.39 Lakh MT of urea with a capacity utilization of 102%. This also includes record production of Neem Coated urea of 13.65 lakh MT, which is 37.51% of total urea production. Company has also excelled on marketing front by selling 36.79 lakh MT urea. These numbers are healthy signs for better future. During the year, Company achieved highest ever turnover of ₹8519.69 crore. After having losses continuously for two years, the Company has been able to register profit before tax of ₹44.72 crore. Your Company is the second largest domestic producer of Urea with a market share of 16%.

In order to augment the domestic urea capacity, the government is working towards the revival of closed fertilizer units. In this direction, National Fertilizers Limited (NFL), Engineers India Limited (EIL) and Fertilizer Corporation of India Limited (FCIL) have formed a joint venture company for settling of new ammonia and urea plants at the existing site of Ramagundam Fertilizer plant in Telangana. The plant having a capacity of 1.27 million tonnes per annum of urea based on natural gas as feedstock is targeted to be completed in 2018. This initiative has been taken to increase the domestic urea manufacturing capacity in the country under the "Make in India" vision of the Prime Minister.

Financial Highlights

During the year under review, the Company achieved turnover of ₹ 8519.69 crore (previous year ₹8017.03 crore). The earnings before interest, depreciation and tax (EBIDTA) were ₹ 418.64 crore (previous year ₹ 171.90 crore). The profit before tax (PBT) was ₹44.72 crore (previous year loss ₹161.16 crore) and the profit after tax was ₹26.24 crore (previous year loss ₹ 89.71 crore). There is improvement in profitability as compared to previous year mainly as attributed to impact of modified NPS Stage-III policy, increased production and sale of urea and industrial products, receipt of past subsidy arrears, efficient energy consumption, decrease in depreciation charge pursuant to Companies Act 2013 etc. However, the above increase in profitability was partially off-set by decrease in contribution of urea beyond cut-off level at Vijaipur, increase in interest on working capital loans, salary and wages

As per Income Tax Act, the liability under normal provisions of taxation is 'NIL'. Company has tax liability of ₹10.80 crore under Minimum Alternate Tax. Company has been carrying forward business loss of ₹ 234.34 crore and unabsorbed depreciation of ₹ 142.05 crore as on 31st March, 2015 available for set-off against future taxable profits. In respect of carried forward unabsorbed depreciation and business losses, Company has recognized deferred tax asset of ₹127.93 crore as on 31st March, 2015.

Reserves

Capital Reserve

The balance as at 31st March 2015 amounted to ₹ 2.51 crore, which is the same as in the previous year.

Debenture Redemption Reserve

The reduction of ₹ 7.53 crore is on account of redemption of first installment on Non-Convertible Bonds.

Corporate Social Responsibility Reserve

The reduction of ₹ 0.22 crore (Net) is on account of amount utilized for CSR expenditure.