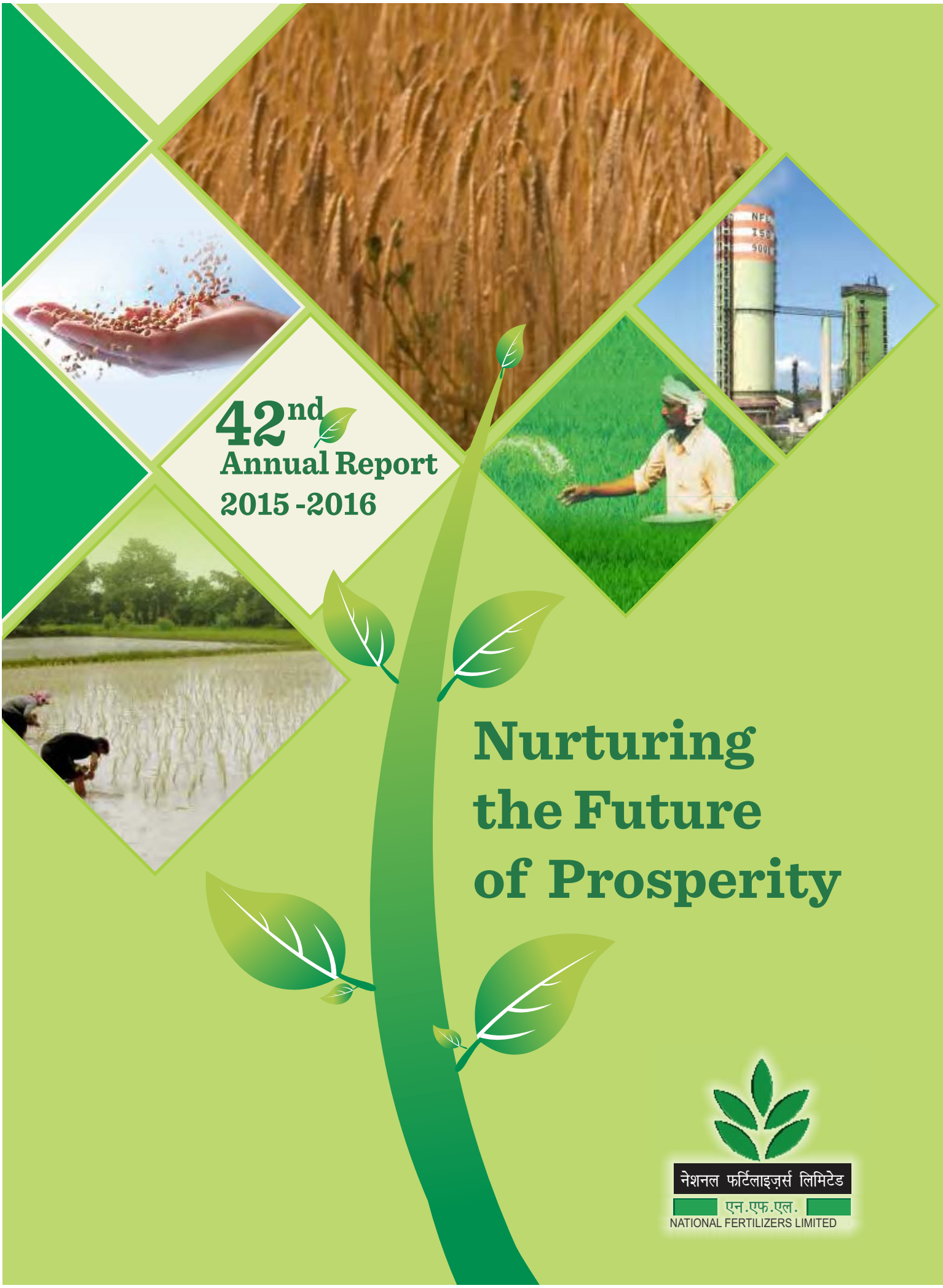

42nd Annual Report 2015 -2016

Nurturing the Future of Prosperity

नेशनल फर्टिलाइज़र्स लिमिटेड

एन.एफ.एल.

NATIONAL FERTILIZERS LIMITED

ध्येय

उर्वरकों एवं अन्य उत्पादों एवं सेवाओं की समय पर आपूर्ति के माध्यम से कृषक समुदाय एवं अन्य ग्राहकों की संतुष्टि के लिए प्रतिबद्ध एक गतिशील संगठन तथा गुणवत्ता, सुरक्षा, नैतिकता, व्यवसायिकता, पर्यावरण के प्रति सरोकार के साथ ऊर्जा संरक्षण एवं हितधारकों को अधिकतम लाभ अर्जित करने के प्रति निरन्तर प्रयासरत

MISSION

A dynamic organization committed to serve the farming community and other customers to their satisfaction through timely supply of fertilizers and other products & services; continually striving to achieve the highest standards in quality, safety, ethics, professionalism, energy conservation with a concern for ecology and maximizing returns to stakeholders

लक्ष्य

सभी हितधारकों के लिए प्रतिबद्धता के साथ उर्वरक एवं अन्य क्षेत्रों में एक अग्रणी भारतीय कंपनी बनना

VISION

To be a leading Indian company in fertilizers and beyond, with commitment to all stakeholders

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MANAGEMENT TEAM

BOARD LEVEL

Sh. Manoj Mishra
Chairman & Managing Director

Sh. M. Sagar Mathews
Director (Technical)

Sh. Rajiv Kumar Chandiok
Director (Finance)

CORPORATE HEADS (S/SHRI)

Vigilance	Dr. A. K. Padhee, IAS Joint Secretary, DoF	Chief Vigilance Officer
Marketing	A.K. Asija	Executive Director
- Industrial Products, Agri. Business and Imports	N.K. Sharma	General Manager
- Sales & Distribution and FMS	Sohan Lal	General Manager
- Finance and Accounts	N.S. Verma	General Manager
Human Resources	M. K. Agarwal	General Manager
Technical	Anil Goel	General Manager
Finance and Accounts - C.O.	Y. P. Bhola	General Manager
Materials	J. P. Sachdev	General Manager
Internal Audit, Law & MS	R. K. Gogia	General Manager
Information Technology	S.M. Vashisht	General Manager
Company Secretariat	Raj Kumar	Company Secretary

UNIT HEADS (S/SHRI)

S.K. Jindal
Executive Director
Panipat Unit

D. S. Ahuja
Executive Director
Bathinda Unit

R. K. Chopra
Executive Director
Vijaipur Unit

Nirlep Singh Rai
General Manager I/c
Nangal Unit

AUDITORS

HDSG & Associates
Chartered Accountants,
New Delhi

Chandiok and Guliani
Chartered Accountants,
New Delhi

REGISTRAR & TRANSFER AGENTS

MAS Services Limited
T-34, IInd Floor,
Okhla Industrial Area-II
New Delhi – 110020
Email: info@masserv.com

BOARD OF DIRECTORS

Shri Manoj Mishra
Chairman & Managing Director
w.e.f. 03.06.2015

Shri M. Sagar Mathews
Director (Technical)

Shri Rajiv Kumar Chandiok
Director (Finance)

Shri Dharam Pal
Joint Secretary, DoF
w.e.f. 09.02.2016

Shri Gurinderjit Singh Sandhu
Independent Director

Smt. Bhavnaben Kardambhai Dave
Independent Director
w.e.f. 01.07.2016

Shri Heera Lal Samariya
Chairman & Managing Director
upto 03.06.2015

Capt. Pavan Kumar Kaul
Director (Marketing)
upto 05.02.2016

Shri Rajiv Yadav,
Special Secretary & Financial Advisor,
DoF
upto 01.09.2015

Shri Rakesh Kumar
Dy. Secretary,
DoF
upto 14.02.2016

Shri Vinod Kumar Thakral
Special Secretary and Financial Advisor,
DoF
from 09.02.2016 to 31.07.2016

Shri M. Raman
Independent Director
upto 05.05.2016

Shri Vikram Srivastava
Independent Director
upto 05.05.2016

AWARDS

Shri Manoj Mishra, C&MD receiving **Icon of the Year Award** given by The Institute of Cost Accountants of India from Shri Arun Jaitley, Hon'ble Union Minister of Finance, Corporate Affairs and Information & Broadcasting

Shri Manoj Mishra, C&MD receiving the **First Award for Excellent Job in Hindi Language** from Nagar Rajbhasha Karyanvan Samiti, Noida given to Corporate Office, NFL.

Shri R. K. Chandiok, Director (Finance) (Extreme Left), receiving the **Good Performance Award** given by The Institute of Cost Accountants of India to NFL

Chairman's Message

Dear Shareholders,

It gives me immense pleasure to present to you the 42nd Annual Report for the year 2015-16.

Economic Environment & Fertilizer Industry

The Financial Year 2015-16 witnessed continued global volatility across different markets. The fall in oil prices and commodities have had varied impact across different companies and countries. The China slowdown continues to be an important economic factor. However, the downward trend in crude oil prices has positively helped the Indian economy in terms of saving in import bill of crude oil and Government has also set an ambitious target of increasing the contribution of manufacturing output to 25 per cent of Gross Domestic Product (GDP) by 2025, from 16 per cent currently. The introduction of improved methods of agriculture and high yielding varieties (HYV) seeds, mainly wheat, had resulted in remarkable improvement in agricultural outputs. The productivity of land has increased tremendously giving huge economic boost to the nation.

Government of India (GOI) has taken some of the major reforms through notification of various policies such as 100% mandatory production of Neem Coated Urea w.e.f. 25.05.2015, introduction of New Urea policy 2015 for existing gas based Urea manufacturing Units effective from 01.06.2015 and pooling of gas notified w.e.f. 01.06.2015. The New Urea Policy 2015 incentivized the additional production beyond re-assessed capacity of the plants and thereby helped to achieve record domestic Urea production in the country during 2015-16. The introduction of pooling of gas mechanism has facilitated delivery of gas at uniform price to all Urea manufacturers which has enabled production of Urea beyond re-assessed capacity viable. For the company, it has also helped in reducing the requirement of working capital to some extent.

The GOI is planning to directly transfer the fertilizer subsidy to farmers. This would help the poor farmers, reduce leakage and also reduce the government's subsidy burden, releasing resources to plough back into agriculture in a way that can help a greater number of poor farmers.

Performance Highlights

Despite challenges, your Company performed exceedingly well during the year 2015-16, the Company has achieved the **ever highest Urea production of 37.99 LMT** with an overall capacity utilization of 118%.The urea production includes ever best performance at Nangal, Panipat and Vijaipur-II plants. Urea sale was marginally lower at 36.41 LMT mainly due to poor demand owing to deficit winter rainfall / glut like situation. However, **Urea sale of 19.16 LMT for Rabi season during 2015-16 was ever highest.** Your company is the second largest domestic producer of Urea with market share of 15.5%. The Company recorded ever highest sale of 55,199 MT of Nitric Acid during 2015-16.The company made record production & dispatches of Bio-fertilizers of 567 MT & 619 MT respectively against previous best of 506 MT (2014-15) & 605 MT (2013-14) respectively. After a gap of more than 20 years, during 2015-16 the company imported 33459 MT of DAP worth ₹ 102 crore which was sold in the States of Bihar, MP and UP.

The Company achieved turnover of ₹7765.88 crore (including subsidy of ₹5433.58 crore) compared to ₹8519.69 crore of the CPLY (including subsidy of ₹6461.14 crore). The decrease in sales turnover was mainly due to cheaper gas price under Gas pooling mechanism ($ 9.96 per mmbtu during current year from $ 12.43 per mmbtu during CPLY) w.e.f. June 2015 and lower sale quantity.

The Company earned profit before tax of ₹283.49 crore (CPLY ₹ 44.72 crore) and profit after tax of ₹ 197.09 crore (CPLY ₹ 26.24 crore) during 2015-16, which was highest during the last ten years. The increase in profit is mainly attributed to increase in contribution from sale of urea beyond re-assessed capacity, decrease in finance cost, increase in contribution from Industrial products, decrease in energy consumption etc.

Further, all the Units of your Company except Vijaipur-I had achieved ever lowest energy consumption in 2015-16, which had helped in optimizing energy consumption in production of urea.

I am pleased to inform you that the Board has recommended a dividend of 12.10% (₹ 1.21 per equity share) for the year 2015-16 on equity share of ₹10 each amounting to ₹ 59.36 crore.

Agricultural Extension Services

NFL is organizing Agriculture Extension Services with an objective to educate farmers on judicious use of fertilizers along with total know-how on improved and scientific methods of cultivation, enhancing farmers' knowledge about latest techniques thus helping them to increase productivity. During 2015-16,88 farmer training programmes had been organized and more than 6000 farmers were benefited. During these educational programmes, farmers were sensitized to issues related to soil fertility status including deficiency of various nutrients and remedy to increase fertilizer use efficiency and maximize yields. During the year, more than 36,000 soil samples were analyzed for major and micro nutrients and recommendations given through six static and four mobile soil testing laboratories. Based on the analysis, farmers were advised on soil fertility management through rational use of manure, fertilizers and other inputs to make agriculture more productive and sustainable.

Further, during the year 2015-16, NFL participated in 36 krishi melas / agriculture exhibitions organized by leading agriculture universities, agriculture department in Punjab, Haryana, UP, Uttarakhand, MP, Rajasthan.

Human Resource

The Company considers its Human Resource as its most important asset and makes sustained efforts for the development of its manpower. Company has a well-established Human Resource Department to cater to the training needs of employees, keeping in view the changing technology and overall business environment.

The Company has manpower strength of 3595 employees as on 31.03.2016, which comprises of 1697 Executives and 1898 Non-Executives. Company promotes the employment of women and at present 202 women employees are on its roll, which is 5.61% of the total work force.

To improve skills and instil behavioural and personality development traits in all supervisory staff and managerial cadre, NFL organised 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. The Company also organized specially designed training programmes for developing women employees in various areas of expertise. In these diverse programmes, 12855 man-days training was imparted to employees and 421 man-days training to women employees.

The industrial relations in the company remained cordial during the year and no man-days were lost.

CSR Activities

The Company through its CSR initiatives continues to enhance value creation in the society. Under the “Swachh Vidyalaya Abhiyaan", a component of “Swachh Bharat Mission”, launched by Hon’ble Prime Minister, Company constructed toilets in schools located in the vicinity of Panipat, Nangal and Vijaipur Units and similar projects in Bathinda is also underway. During the year, the company also undertook relief work for Chennai Flood victims. In addition, various skill development programmes were also undertaken for woman.

Safety, Environment and Sustainable Development

During the year, the Company has undertaken various initiatives for in adopting best practices for health, safety, environment management and sustainable development. In order to monitor the level of emission and effluent discharge from all the units, all the units have installed On-line monitoring system both for effluent and emission discharges. Online monitoring system is integrated with Central and State Pollution Control Boards in order to monitor the level of pollutants on continuous and real time basis. Efficiency of Coal fired Boilers in Nangal, Bathinda and Panipat Units is being improved by using various techniques such as use of Coal additives. This will help to reduce consumption of fossil fuel. Afforestation has been adopted in all the Units to improve the environment surrounding the Units. A total of about 20,000 tree saplings were planted in and around various Units leaving a cleaner and greener earth for future generation. During the year, 5 rainwater harvesting system were installed in Units. This would help in conservation of water, increase in underground water table and increase greenery in the surroundings.

Awards and Accolades

I am happy to share with you that during the year 2015-16, your company has received number of prestigious awards in different spheres such as Safety Award (First prize) from National Safety Council of India (NSCI) to Panipat Unit, **“Chal-Vaijayanti Shield”** (First Prize) for excellent work in Official language for the year 2014-15 from Town Official Language Implementation Committee, Noida, **First Award towards best pavilion** in Kisan Agri Expo held in Jaipur, Third Level **Suraksha Puraskar** (Bronze Trophy) for 2015 to Bathinda Unit under Group-B manufacturing sector by NSCI, **Sarvashreshtha Suraksha Puraskar** (Golden Trophy) to Panipat Unit under Group B in manufacturing sector from NSCI and “Icon of the Year Award” to your C&MD by The Institute of Cost Accountants of India for significant contribution to the profession as well as society.

Growth Drivers

The company is focusing on the following areas for achieving growth in its business:

- ✓ Maximization of Urea production in energy efficient manner.
- ✓ Production of new products like Bentonite Sulphur, MoP, SSP etc.
- ✓ Maximization of production of Industrial Products including Ammonium Nitrate
- ✓ Production and sale of quality & certified seeds in own brand name through seeds multiplication program.
- ✓ Domestic trading of Agro products like pesticides, compost, Bentonite Sulphur, etc.
- ✓ Import and sale of fertilizers like Urea, DAP, MoP and complex fertilizers.
- ✓ Revival of other closed plants in the country through Joint venture mode.

Joint Venture

As you are already aware, the Company has formed a joint venture company, Ramagundam Fertilizers & Chemicals Limited (RFCL) with Engineers India Limited (EIL) and Fertilizer Corporation of India Limited for setting up of new gas based plant at Ramugundam in Telangana with a capacity of 1.27 Million Tonnes per annum. The zero date for the project has been declared on 25th September, 2015. The Foundation Stone Laying ceremony was held on 07.08.2016 through the hands of Hon'ble Prime Minister, Shri Narendra Modi at Gajwel, Dist. Medak, Telengana. It is expected that unit would be operational by 30.09.2018.

Corporate Governance

The philosophy of your company in relation to Corporate Governance is to fully conform to applicable laws, regulations, and guidelines and to promote ethical conduct in the organization. The company is committed to the highest standards of Corporate Governance. Report on Corporate Governance has been brought out separately as an annexure to the Directors' Report. All Directors and Senior Management officials have affirmed compliance to Code of Conduct.

I welcome Shri Dharam Pal, Joint Secretary, Department of Fertilizers and Smt. Bhavnaben Kardambhai Dave, Independent Director on joining the Board of the Company and hope that the Company will benefit greatly from their rich experience.

I will also like to place on record deep appreciation for the valuable guidance and significant contributions made by outgoing Directors, Shri Vinod Kumar Thakral, Shri Rakesh Kumar, Capt. Pavan Kumar Kaul, Shri Vikram Srivastava and Shri M. Raman, .

Acknowledgements

I also take this opportunity to express my sincere thanks and gratitude to my colleagues on the Board of Directors for their valuable guidance and support in running the affairs of the company.

I am also thankful for the whole-hearted support received by the Company from Department of Fertilizers, Fertilizer Industry Coordination Committee(FICC), Railways and other Ministries and Departments of Government of India and the various State Governments, Company's Bankers and Auditors and look forward to their continued support in Company's future endeavours. In particular, I shall like to thank all the shareholders for their continued confidence in the Company.

I sincerely thank the employees of NFL at all levels and would like to place on record that but for their contribution and dedication, the results achieved would not have been possible. I expect the same determination and spirit to continue in future to further improve the performance of the company.

Registered Office:
Scope Complex, Core3,
7 Institutional Area, Lodhi Road, New Delhi-110003
Date: 22nd August, 2016

(Manoj Mishra)
Chairman and Managing Director
DIN: 06408953

Performance at a Glance

FINANCIAL HIGHLIGHTS

(` in crore)

Particulars	2015-2016	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
Production (Urea) (Lakh MT)	37.99	36.39	36.36	32.11	34.01	33.80	33.30	33.44	32.68	33.51
Capacity Utilisation (Urea) (%)	106.47	101.99	101.92	91.94	105.30	104.60	103.07	103.50	101.10	103.70
Sales (Urea) (Lakh MT)	36.41	36.79	36.87	31.62	33.89	33.59	33.78	33.77	32.38	33.54
Sales - **Finished Goods (a)**	2096	2044	1936	1670	1919	1841	1662	1680	1616	1648
Sales - **Traded Goods (b)**	236	15	33	30	23	32	33	3	7	1
Subsidy (c)	5434	6461	6048	5020	5363	3918	3396	3444	2518	2217
TURNOVER (Net) (incl. Subsidy) (a+b+c)	**7766**	**8520**	**8017**	**6720**	**7305**	**5791**	**5091**	**5127**	**4141**	**3866**
Other Income	**46**	**37**	**26**	**27**	**37**	**44**	**57**	**80**	**65**	**28**
Earnings before depreciation, interest and tax (EBDITA)	591	419	172	17	342	302	365	293	262	387
Interest and Finance Charges	228	301	204	130	67	9	11	41	17	17
Depreciation	80	73	129	118	91	89	94	96	89	106
Profit/(Loss) before Tax	**283**	**45**	**-161**	**-231**	**184**	**204**	**260**	**156**	**156**	**264**
Tax Expenses	86	19	-71	-60	57	65	88	58	47	88
Profit/(Loss) after Tax	**197**	**26**	**-90**	**-171**	**127**	**139**	**172**	**98**	**109**	**176**
Gross Fixed assets	7287	7227	7182	5717	2958	2930	2924	2906	2925	2903
Net Fixed Assets	4288	4482	4682	3501	550	599	666	734	809	871
Current Assets, Loans and Advances	6929	7280	6743	4285	3206	2244	2082	1524	1443	1693
Current Liabilities and Provisions	5233	5731	5731	1430	1600	998	794	885	816	692
Working Capital	1696	1549	1012	2855	1606	1246	1288	639	627	1001
Borrowings	6120	7645	7558	5615	2985	613	403	265	525	327
Net Worth (Paid up Capital*+ Reserve & Surplus)	1607	1481	1494	1584	1754	1672	1582	1471	1408	1371
Capital Employed (Net Fixed Assets + Working Capital)	5984	6031	5694	6356	2156	1845	1954	1373	1436	1872
Employees (Nos.)	3595	3798	4068	4291	4515	4699	4760	4868	4910	4736

Key Indicators

EBDITA/ Turnover (%)	7.62	4.91	2.15	0.25	4.68	5.21	7.17	5.71	6.33	10.01
Return on Net Worth (%)	12.27	1.77	-	-	7.24	8.31	10.87	6.66	7.74	12.84
Return on Capital Employed (%)	3.29	0.44	-	-	5.88	7.51	8.78	7.10	7.56	9.41
Earning per Share of ₹10 (₹)	4.02	0.53	-	-	2.58	2.82	3.50	1.99	2.21	3.59
Debt/Equity Ratio	#2.88 : 1	#3.65 : 1	#3.06 : 1	#2.47 : 1	1.70 : 1	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1
Current Ratio	1.32 :1	1.27 :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
Value Added per Employee (₹. In Lakhs)	54	39	32	24	26	23	23	20	19	19
Dividend (₹. In Crores)	59.36	8.34	-	-	38.27	41.70	51.51	29.43	32.60	52.83
Dividend as % of Net Worth	3.70	0.56	-	-	2.18	2.49	3.26	2.00	2.32	3.85
Dividend as % of Profit after tax (PAT)	30.11	31.78	-	-	30.20	30.11	30.03	30.20	30.00	30.00
Profit (PAT) per employees (₹. In Lakhs)	5.48	0.69	(2.21)	(3.99)	2.81	2.96	3.61	2.01	2.22	3.72
Interest Coverage Ratio (No. of Times)	2.60	1.39	0.84	0.13	5.10	33.56	33.18	7.15	15.41	22.76
Debt Service Coverage Ratio (No. of Times)	2.10	0.94	0.66	0.62	4.72	36.40	33.09	7.21	8.41	22.40
Book Value per shares (₹)	32.75	30.19	30.45	32.28	35.76	34.09	32.25	29.98	28.69	27.94
Price Earning Ratio**	7.00	67.97	-	-	30.27	40.86	25.51	23.76	31.20	10.36

Debt - Equity ratio excludes debts 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 but including short term loan.

*Paidup Capital of is ₹490.58 Cr (i.e. 49,05,78,400 Equity Shares of ₹10/- each fully paid up.

** Based on prevailing price of share at the end of financial year.