

43<sup>rd</sup>

# Annual Report 2016-17



**नेशनल फर्टिलाइजर्स लिमिटेड**  
**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

## दृष्टि

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







Sh. Ananth Kumar, Union Minister of Chemicals & Fertilizers and Parliamentary Affairs alongwith  
Sh. Manohar Lal Khattar, Chief Minister, Haryana and Sh. Manoj Mishra, C&MD, NFL  
on the occasion of Foundation Stone laying ceremony of Bentonite Sulphur Plant at Panipat

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# Management Team

## BOARD LEVEL

**Shri Manoj Mishra**  
Chairman & Managing Director

**Shri Rajiv Kumar Chandiok**  
Director (Finance)

**Shri Devinder Singh Ahuja**  
Director (Technical)

## CORPORATE HEADS (S/Shri)

<b>Vigilance</b>	D. K. Tewatia, IFS	Chief Vigilance Officer
<b>Marketing</b>	A. K. Asija	Executive Director
- Industrial Products, Imports, Domestic Trading, Agriculture Services & CSR	N.K. Sharma	General Manager
- Sales & Distribution and FMS	Sohan Lal	General Manager
- Finance & Accounts	Y. P. Bhola	General Manager
- Co-ordination	R. K. Aggarwal	General Manager
<b>Human Resource</b>	M. K. Agarwal	Executive Director
<b>Technical</b>	Anil Goel	General Manager
	K.K. Goel	General Manager
<b>Projects</b>	A. K. Jain	General Manager
<b>Finance &amp; Accounts - C.O.</b>	N.S. Verma	General Manager
	Ashutosh Arora	General Manager
<b>Materials</b>	J. P. Sachdeva	General Manager
<b>Internal Audit, MS, Law &amp; Company Secretariat</b>	R. K. Gogia	General Manager
<b>Information Technology</b>	S. M. Vashisht	General Manager

## UNIT HEADS (S/Shri)

**Nirlep Singh Rai**  
GM I/c, Nangal Unit

**Sunil Arora**  
GM I/c, Bathinda Unit

**S.K. Jindal**  
ED, Panipat Unit

**S.K. Shukla**  
GM I/c, Vijapur Unit

Raj Kumar  
**COMPANY SECRETARY**  
A -11914

**AUDITORS**  
**HSDG & Associates**  
Chartered Accountants, New Delhi  
**Chandiok & Guliani**  
Chartered Accountants, New Delhi

**REGISTRAR & TRANSFER AGENTS**  
**MAS Services Limited**  
T-34, II<sup>nd</sup> Floor, Okhla Industrial Area-II,  
New Delhi-110020

## BOARD OF DIRECTORS



**Shri Manoj Mishra**  
Chairman & Managing Director



**Shri Rajiv Kumar Chandiok**  
Director (Finance)



**Shri Devinder Singh Ahuja**  
Director (Technical)  
w.e.f. 06.02.2017



**Smt. Meenakshi Gupta**  
Additional Secretary and  
Financial Adviser, DoF  
w.e.f. 11.01.2017



**Shri Dharam Pal**  
Additional Secretary, DoF



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



**Shri Anil Verma**  
Independent Director  
w.e.f. 14.02.2017



**Dr. Ramesh Kumar Agarwal**  
Independent Director  
w.e.f. 14.02.2017



**Dr. Kalpana Saini**  
Independent Director  
w.e.f. 18.05.2017

**Shri M. Raman**  
Independent Director  
upto 05.05.2016

**Shri Vikram Srivastava**  
Independent Director  
upto 05.05.2016

**Shri Vinod Kumar Thakral**  
Special Secretary  
and Financial Adviser,  
DoF  
upto 31.07.2016

**Shri Kuntal Sensarma**  
Economic Advisor, DoF  
From 13.10.2016 to 08.12.2016

**Shri M. Sagar Mathews**  
Director (Technical)  
upto 30.12.2016

**Shri Gurinderjit Singh Sandhu**  
Independent Director  
upto 20.02.2017



## Awards



NFL received First Prize for use of Hindi from Dept. of Fertilizers, Govt. of India. Sh. Manoj Mishra, C&MD received the award from Sh. Ananth Kumar, Hon'ble Union Minister of Chemicals & Fertilizers and Parliamentary Affairs in Bangalore on 01.07.2017



Sh. S. K. Jindal, ED (Panipat) receiving National Energy Conservation Award 2016 for Panipat Unit from Bureau of Energy Efficiency from Sh. Piyush Goyal, Hon'ble MoS Independent Charge for Power, Coal, New and Renewable Energy and Mines



Panipat Unit received Golden Peacock Award 2017 for Energy Efficiency from Institute of Directors.



## Chairman's Message

*Dear Shareholders,*

It gives me immense pleasure to present to you the 43rd Annual Report for the year 2016-17.

### **Economic Environment & Fertilizer Industry**

The country is set to witness economic growth a leap forward through various reforms / initiatives undertaken by the Indian government including Make in India, Goods and Services Tax (GST), Bankruptcy Code, Digital India, Skill India etc. Further, the De-Monetization decision of the Government during the year had resulted in ample liquidity in the system at reduced lending rates for investment in infrastructure.

Apart from above, increase in Foreign Direct Investment due to above reforms / initiatives of the GoI shall further boost the economic growth and employment in the country.

Regarding Agro economy, the foodgrain production in 2016- 17 has touched a new record of 273.4 million tonnes i.e. 8.7 per cent higher than last year. Further, waiver of loans of farmers and technological interventions like e-trading of agriculture produce by various state governments are likely to make favorable impact in the growth of agriculture economy.

Fertilizers sector being highly energy & capital intensive, cost of fertilizers is unavoidably high. At present, Urea prices are highly subsidized and administered under New Urea policy-2015 whereas P & K Fertilizers are partially decontrolled and subsidy is disbursed based on the nutrient content available in the particular fertilizer under Nutrient Based Subsidy introduced by GoI w.e.f. 01-04-2010.

The country as a whole achieved Urea production of 24.20 Million tons during 2016-17, marginally lower than record Urea production of 24.50 Million tons made during 2015-16. Under 'Make in India' initiative of the Government, all out efforts are being made to revive the closed Urea plants in the country in a time bound manner which shall not only reduce the dependence on imports but also make the country self-reliant in Urea.

The introduction of pooling of gas mechanism in the year 2015-16 has been consistently helping ensuring delivery of gas at uniform and lower price to Fertilizer companies to enable them to make Urea production beyond re-assessed capacity and helping to contain the requirement of working capital to some extent.

During 2016-17, due to higher production and lower consumption of Neem Coated Urea, there has been a significant cut in Urea imports in the country by over 3 million tonnes i.e. 5.5 Million tons against 8.5 Million tons imports in 2015-16. Consequent to the favorable Urea policies notified by GoI during 2015-16, the availability position of Urea in the market remained quite comfortable and probably no shortage of Urea was felt by the farmers during 2016-17.

Implementation of Direct Benefit Transfer of subsidy in Fertilizers sector by Government of India through POS devices is in full swing. After the pilot projects in 16 districts, it is now being rolled out across the whole country. This would ensure to reduced leakage of subsidized fertilizers and there by reduce government's subsidy burden, releasing resources to plough back into agriculture in a way that can help a greater number of poor and marginal farmers.

### **Performance Highlights**

Maintaining the growth momentum, your Company has performed exceedingly well during the year 2016-17. The Company has achieved the ever highest Urea production of 38.10 LMT with an overall capacity utilization of 118% during 2016-17 surpassing the previous best production of 37.99 LMT achieved during 2015-16. Your company is second largest domestic producer of Urea with market share of 15.5%.

On the sales front, the company achieved ever best sale of Fertilizers of 39.75 LMT including record sale of 37.58 LMT of Urea, 2.14 LMT of imported DAP (ever best) and 0.03 LMT of Bentonite Sulphur against previous best of 36.91 LMT during 2015-16 which included 36.41 LMT of Urea and 0.50 LMT of DAP.

During 2016-17, the company recorded ever best sale of Nitric Acid of 67949 MT surpassing previous best of 54559 MT during 2015-16. Besides this, 9293 MT of Ammonium Nitrate was also produced &



sold during 2016-17 after resumption of its production in April 2016 at Nangal Unit after a gap of around 2 years. The company sold 545 MT of Bio-Fertilizers (Solid & Liquid) to the tune of ₹ 2.39 crore as against 530 MT of ₹ 3.01 crore during last year. There has been a surge in fertilizers import business of the company during 2016-17. The company imported and sold 214000 MT of DAP and 3000 MT of Bentonite Sulphur worth ₹ 660 crore during 2016-17 as against 52000 MT of imported and indigenous DAP & Bentonite Sulphur worth ₹ 173 crore during 2015-16.

During the year, Company achieved turnover of ₹ 7663.22 crore (including subsidy of ₹ 4958.15 crore) compared to ₹ 7793.91 crore of the CPLY (including subsidy of ₹ 5430.64 crore). Despite higher sale quantity of Urea by 1.17 LMT as compared to CPLY, the decrease in sales turnover is mainly due to lower subsidy on Urea by ₹ 660 crore mainly due to fall in gas price to USD 8.04 / MMBTU during the year as compared to USD 9.96 / MMBTU during CPLY i.e. decrease of 19.28%.

Company earned profit before tax of ₹ 324.88 crore (CPLY ₹ 288.42 crore) and profit after tax of ₹ 208.16 crore (CPLY ₹ 198.62 crore). The increase in profit is mainly attributed to increase in contribution from sale of Urea beyond re-assessed capacity, increase in profit from traded goods, decrease in finance cost, increase in contribution from Industrial products, decrease in energy consumption, decrease in depreciation charges etc. There has been an adverse impact on the profitability of the company during the year mainly due to increase in marketing expenses due to oversupply situation in the market.

The financial results of 2016-17 are the first financial statements of the company under Indian Accounting Standard (Ind AS), a transition from previous Generally Accepted Accounting Principles (GAAP) to Ind AS which has affected the company's financial position, financial performance and cash flows.

Owing of shift in strategy of the company, the composition of gross sale of the company has undergone visible change. Against the Urea (main product) contribution of 94.49% in the overall revenue of the company during 2015-16, Urea contribution has reduced to 88.31% while contribution of non-Urea business including production & sale of industrial Products & certified seeds, sale of imported fertilizers and trading of certified seeds, agro chemicals etc. under single widow concept has increased to 11.69% during 2016-17.

#### Agriculture Extension Services

NFL is organizing Agriculture Extension Services with the objective to educate farmers on judicious use of fertilizers along with technical knowhow on improved and scientific methods of cultivation, enhancing farmers' knowledge about latest developments in farming sector thus helping them to increase productivity. It is essential to educate the farmers on issues related to soil testing, soil health, balanced fertilization etc. to optimize farmer's crop yield and farm income. 84 farmer training programmes were organized during 2016-17 and more than 5000 farmers benefited. During the year 2016-17, 87 and 85 demonstrations of Bio Fertilizers and City Compost respectively, were carried out at farmers field to demonstrate the effect of Bio Fertilizers and City Compost on crop growth and yield as compared to farmers' own practices. Under the Government of India's initiative, Company has opened 100 Kisan Suvidha Kendras (KSKs) in various locations in its marketing

territory. The company has also upgraded its Soil Testing Labs at Barabanki and Nangal by installation of Atomic Absorption Spectrophotometer (AAS) for micronutrient analysis. The company also undertook analysis of more than 27000 soil samples for Macro and Micro Nutrients to enable farmers for balanced fertilization.

#### 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 had a manpower strength of 3517 employees as on 31-03-2017, which comprises of 1663 Executives and 1854 Non-Executives. The company promotes the employment of women and at present 202 women employees are on its roll, which is 5.74% of the total work force. The detailed analysis with regard to human resource including training, incentives and development programmes has been made in the Management Discussion and Analysis Report.

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, 11180 man-days training was imparted to employees and 569 man-days training to women employees.

The industrial relations at all Units / Offices of NFL remained cordial.

#### CSR Activities

The Company continues to involve in meaningful welfare driven initiatives through Corporate Social Responsibility that distinctively impact the quality of life in society. During the year 2016-17, the Company incurred an expenditure of ₹ 261.77 Lakh towards CSR activities. The company has undertaken projects in the area of Health & sanitation, cancer awareness, distribution of artificial limbs, aids & appliances, skill development especially for women & youth and provision of ambulances in remote areas of Arunachal Pradesh etc.

In addition to above, under company's flagship CSR programme, 10 villages, 5 each in Haryana and M.P have been adopted to demonstrate and encourage the use of city compost which is an organic fertilizer.

#### Safety, Environment and Sustainable Development

During the year, the Company has undertaken various initiatives for 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.

All the units are having their "Disaster Management Quick Response Team" to address the incidents that may occur outside the factory area for transportation of Liquid Ammonia and Chlorine Gas.

Efficiency of Coal fired Boilers at 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. The cumulative plantation since commencement is about 8 lakhs for all the units.

To increase the sub soil water level, all the units are under process of installation of Rain Water Harvesting system. 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 2016-17, your company has received number of prestigious awards in different spheres which inter alia include good performance award for excellence in Cost Management from institute of Cost Accountants of India (ICAI), Safety awards from Ministry of Labour & Employment and National Safety Council to Panipat Unit for 2014 and 2016 respectively, best technical innovation award and Environment Protection Award for 2016 to Vijaipur Unit from FAI, National Energy Conservation Award 2016 for Panipat Unit from Bureau of Energy Efficiency. In addition, our Company also received Rashtriya Rajbhasha Award from Hindi Advisory Committee, Ministry of Chemicals & Fertilizers and Government of India.

#### 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 etc.
- Maximization of production of Industrial Products including Ammonium Nitrate.
- Production and sale of quality & certified seeds in own brand name through seeds multiplication programme.
- 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.
- Setting up of Di-nitro Tetroxide (N<sub>2</sub>O<sub>4</sub>) plant at Vijaipur Unit for M/s ISRO on Built, Own, Operate & Supply (BOOS) basis.
- Exploring setting up a DAP and Phosphoric Acid Plant in Algeria in a Joint Venture mode and under buy-back arrangement.

#### Status of New Projects

In order to meet the demand of Bentonite Sulphur and to improve the

top & bottom line, company is in the process of setting up a Bentonite Sulphur plant of 25000 MTPA capacity at Panipat Unit. The job on LSTK basis was awarded in July 2016 with a scheduled completion period of 14 months. The project is in progress and expected to be commissioned within scheduled time i.e. by September 2017.

The company is also exploring to establish a plant for production of Murate of Potash (MoP) from salt in the Little Rann of Kutch (LRK) region with technical support from M/s CSMCRI, Bhavnagar and project consultancy from M/s PDIL. However, production of 100 MT of MoP from pilot plant of CSMCRI is being undertaken before initiating further action to set up MoP plant on commercial scale.

#### Corporate Governance

The company is committed to the best practices in the area of Corporate Governance, in letter and in spirit and believes that good corporate governance is much more than complying with legal and regulatory requirements. Good governance facilitates effective management and enables company to maintain a high level of business ethics and to optimize the value for all its stakeholders. Report on Corporate Governance has been brought out separately as an annexure to the Director's Report. All Directors and Senior Management officials have affirmed compliance to Code of Conduct.

I welcome Smt. Meenakshi Gupta, Additional Secretary and Financial Advisor, Department of Fertilizers, Shri D S Ahuja, Director (Technical), Shri Anil Verma, Independent Director, Dr. Ramesh Kumar Agarwal, Independent Director, Dr. Kalpana Saini, 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 Gurinderjit Singh Sandhu and Shri M. Sagar Mathews.

#### Acknowledgments

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 Dept. of Fertilizers, Fertilizer Industry Coordination Committee (FICC), Railways and other Ministries and Departments of Government of India and various State Governments, Company's Bankers and Auditors and look forward to their continued support in Company's future endeavors. In particular, I would 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 without 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 : 10<sup>th</sup> August, 2017

(Manoj Mishra)

Chairman and Managing Director  
DIN: 06408953