



22nd ANNUAL REPORT

Report for 2009-2010

|| Certified copy ||
|| Signature ||

PRAKASH
Company
Mumbai



राष्ट्रीय केमिकल्स एण्ड फर्टिलाइजर्स लिमिटेड
RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED



Rashtriya Chemicals and Fertilizers Limited

"Priyadarshini", Eastern Express Highway, Sion,
Mumbai - 400 022.

Annual Report 1999 - 2000

Contents	Page No.
1. Board of Directors	3
2. Notice	4
3. Directors' Report	5
4. Auditors' Report	14
5. Balance Sheet as at 31st March, 2000	18
6. Profit & Loss Account for the year ended 31st March 2000	20
7. Schedules to the Balance Sheet	22
8. Schedules to the Profit & Loss Account	32
9. Cash Flow Statement	58



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Board of Directors

- | | |
|--|--|
| <p>1. Shri D.K. Varma
Chairman & Managing Director</p> <p>2. Shri H.S.Kamath
Chairman and Chief Executive
Heavy Water Board,
Dept. of Atomic Energy
Anushakti Nagar, Mumbai 400 094</p> <p>3. Shri D.K.Sikri
Joint Secretary
Department of Fertilizers
New Delhi</p> <p>4. Shri Pradeep Singh
Executive Director,
Coordination Committee
Fertilizer Industry
Sewa Bhavan,
R.K.Puram,
NEW DELHI .</p> | <p>5. Shri Y.S. Bhawe
Secretary [Industries]
Government of Maharashtra
Mantralaya
MUMBAI 400 032
[upto 19.5.2000]</p> <p>6. Shri S. Balan
Director [Finance]</p> <p>7. Shri H.C.P.Sinha
Director [Technical]</p> <p>8. Shri U.S.Jha
Director [Marketing]</p> |
|--|--|

Company Secretary
Shri K.C.Prakash

Bankers

State Bank of India
Mahul Road Branch
Chembur, Mumbai 400 074.

Statutory Auditors:

M/s. T.R.Chadha & Co., Mumbai,
M/s. K.S.Aiyar & Co., Mumbai
M/s. Chandulal M. Shah & Co., Ahmedabad

Share Transfer Agents

M/s. Intime Spectrum Registry Pvt. Ltd.
260, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West),
Mumbai 400 080.

Registered Office

"Priyadarshini"
Eastern Express Highway
Sion, Mumbai 400 022.



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Registered Office, "Priyadarshini", Eastern Express Highway
Sion, Mumbai 400 022.

NOTICE

TWENTY SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY SECOND ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED will be held at Sivaswamy Auditorium, The Fine Arts Cultural Centre, Plot No. 16&21, R.C. Marg, Near Railway Station, Chembur, Mumbai 400 071 on Friday, the 29th day of September, 2000 at 3 PM. to transact the following business:

2. To declare dividend if any.
3. To appoint a Director in place of Shri S.Balan, Director, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri H.C.P. Sinha, Director, who retires by rotation and being eligible, offers himself for reappointment.

ORDINARY BUSINESS:

By order of the Board of Directors

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2000 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.

Date: 13.07.2000
Place: Mumbai

K.C. Prakash
Company Secretary

Notes:

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and that the said proxy need not be a Member of the Company. The instrument appointing the proxy shall be deposited at the Registered Office of the Company not later than forty-eight hours before the time fixed for holding the meeting.
2. Register of Members and Share Transfer books will be closed from 14th September, 2000 to 29th September, 2000 [both days inclusive].

3. Members are requested to notify immediately any changes in their address to the Company or its Transfer Agents M/s Intime Spectrum Corporate Registry Pvt Ltd., 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai - 400 080
4. Any clarifications needed by the members of the Company may be addressed to the Company Secretary at the Registered Office of the Company atleast seven days prior to the date of Annual General Meeting.

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date: 13.07.2000
Place: Mumbai



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting their 22nd Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March, 2000.

1.0.0 GENERAL:

Your Company after having turned into a Rs. 2000 crore Company during the last financial year, has achieved the highest turnover of Rs.2330 crore as compared to Rs. 2061 crore achieved during the previous year. Your Company has thus maintained the same high growth rate achieved during the past three years and also recorded the highest turnover in Industrial Products Division at Rs.223 crore against Rs.217 crore registered during the previous year, despite severe recession in the sector.

1.1.0 Mini Ratna Status:

The Government of India is yet to appoint the non-official Directors to enable your Company obtain the benefit of mini-ratna status by your Company. It is understood that the Government of India is likely to appoint the non-official Directors soon.

1.2.0 Corporate Governance:

Your Company has adopted Corporate Governance code even before the same became mandatory. Your Company is committed to enhancing the value to the stake holders viz. Share holders, Government, Employees, the Creditors and the Society in general. Your Company believes in meeting the social obligations as a PSU and stake holders' aspirations. The decision making process has been strengthened to take full advantage of opportunities created by economic liberalization and at the same time to ensure that all decisions are transparent.

The Board presently consists of seven Directors of whom three are part time Directors coming with expertise in Administration and Industrial Management. In line with Mini Ratna Status, three more professional Directors are likely to join the Board shortly.

As per the policy of the Company, apart from the matters which are required to be statutorily decided by the Board, all other major decisions involving large investments and capital expenditure, mobilisation of

resources, Employee's Compensation etc. are taken by the Board. During the year under review, 13 Board meetings were held. The number of meetings attended by the Directors are as under:

Name of Directors	Number of meetings held	Number of meetings attended.
Shri D.K.Varma	13	13
Shri Pradeep Singh	13	10
Shri H.S.Kamath	13	11
Shri S.Balan	13	12
Shri H.C.P. Sinha	13	12
Shri Y.S.Bhave	13	0
Shri U.S.Jha	13	13
Shri D.K.Sikri	10	9

The Board has constituted the following Committees comprising of functional and part time Directors to take decisions, review policies and systematise management process.

- [i] Management Committee
- [ii] Audit Committee
- [iii] Procurement Committee
- [iv] Share Transfer Committee

The Board is considering setting up of a few more Committees in other areas of operation in order to ensure speedy decision making.

2.0.0 FINANCIAL PERFORMANCE:

2.1.0 Financial highlights for the year 1999-2000 are as under :

During the financial year under review, your Company had registered a growth in turnover of 13.05%. The Gross profit from the operations at Rs.166.70 crore, however, registered a decrease over previous year level of Rs.355.90 crore. The Profit Before Tax without adjusting extraordinary provision of Rs. 7.92 crore towards the Inter corporate loan was also lower at Rs.51.00 crore as against Rs.222.70 crore in the previous year.

Several factors contributed to the reduction in profits. Essentially your Company made provisions of Rs.81.05 crore, of which Rs.47.96 crore is due to wage revision of previous years, Rs.25.17 crore



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

being the contribution earned by the Company on commercial sale of Ammonia, sought to be now recovered by Government and Rs.7.92 crore for the provision towards Inter corporate loan outstanding. This apart, the operating cost has gone up due to increase in the price of raw materials, imposition of customs duty on the imported raw material, increase in cost of power and other utilities, partial substitution of gas to certain extent due to naphtha due to the erratic and short supply of gas etc, which costs are not fully reimbursed by FICC. But for the measures taken to effect savings in energy consumption and adoption of cost control measures and total quality management techniques, the impact of increased cost on profits would have been even higher.

Summary:

	Rs. Crore	
	1999-2000	1998-99
Turnover and other income	2374.41	2090.71
Less: Cost of Sales	<u>2207.71</u>	<u>1734.72</u>
Gross Profit	166.70	355.99
Less: Depreciation	46.90	39.10
Less: Interest [Net]	72.14	42.50
Profit after interest and depreciation	47.66	274.39
Prior year adjustments [(Dr)/Cr]	3.34	(0.69)
Net profit before tax [excluding provision for extraordinary write-off]	51.00	273.70
Provision for extraordinary write-off	7.92	87.06
Provision for taxation	8.00	81.00
Net Profit/[Loss] after tax	35.08	105.64

2.2.0 Dividend:

In view of the extraneous reasons which affected the profitability of your Company for the financial year, the Board of Directors recommend payment of dividend at the rate of 2% of the share capital, which would absorb Rs. 13.46 crore [including Rs.2.43 crore as tax on dividend] from the Net Profit.

2.3.0 Appropriation to General Reserves:

The Company's net profit after provision for the interest and depreciation works out to Rs. 51.00 crore, out of which a provision of Rs. 7.92 crore has been made towards the intercorporate loans. After making a provision for taxation to the extent of Rs.8.00 crore and setting aside Rs. 13.46 crore

towards recommended dividend and tax thereon, the balance of Rs. 21.62 crore in the Profit and Loss Account is proposed to be transferred to the General Reserve.

2.4.0 Depository Scheme:

SEBI has made effective from 8.5.2000, trading of your shares compulsorily under demat form. Your Company has already entered into an agreement with National Securities Depository Ltd [NSDL] and Central Depository Services [India] Ltd. [CDSL] and your Company's shares can be traded electronically either through NSDL or CDSL.

2.5.0 Disinvestment:

The Disinvestment Commission has recommended to the Government of India for disinvesting 51% of the Company's equity capital to a strategic buyer with a change in Management control. The recommendation is pending with the Government and the detailed scheme, i.e. appointment of consultant, merchant bankers, timing etc. is awaited from the Government.

2.6.0 Public Deposit Scheme:

Your Company was hitherto accepting deposits from existing and ex-employees of the Company. However during the FY 1999-2000, your Company has not accepted any fresh deposits or renewed the existing deposits. As on 31.3.2000 the amount of Public deposits stood at Rs. 5.71 crore as against Rs. 8.45 crore as on 31.3.1999.

2.7.0 Y2K Compliance:

Your Company successfully rolled over to year 2000 [Y2K] with no disruptions in operations both internal and external to the Company. This was totally achieved by the Inhouse Management services division without the help of any external agencies. Your Company has spent Rs. 5.25 crore to ensure that all systems were Y2K compliant and that no breakdown or failures occur at and after the roll over to the year 2000.

3.0.0 OPERATIONAL RESULTS AND HIGHLIGHTS:

3.1.0 Production:

3.1.1 Fertilizers:

During the Financial Year, your Company produced 25.14 lakh MT of Fertilizers compared to 23.09 lakh



MT in the previous year. The overall capacity utilization was 101.52%. The production at Trombay Plants during the year 1999-2000 was 10.25 lakh MT [complex 7.22 lakh MT, Urea 3.03 lakh MT] as compared to 8.66 lakh MT during the previous year. The Trombay Unit achieved a capacity utilization of 103.43 %. Thal Unit produced 14.89 lakh MT of Urea during the year compared to 14.43 lakh MT of Urea produced in the last year, which amounted to 100.24% of the total installed capacity at the Unit. The production performance of your Company would have been even better but for severe gas limitation, particularly at Thal Unit.

3.1.2. Industrial Products:

Your Company produces a number of industrial products such as Methanol, Methylamines, Sodium Nitrate/Nitrite, Ammonium Nitrate Melt, Ammonium Bi - Carbonate etc. Your Company added 'Formic Acid' to the line of production during the year end of the previous year. The production of industrial products during the year was 1.11 lakh MT as compared to 1.08 lakh MT during the previous year.

3.2.0 Marketing Performance:

3.2.1 Fertilizers:

Your Company achieved a total sale volume of 29.10 lakh MT during 1999-2000 compared to 27.29 lakh MT during the previous year. This is the highest level ever achieved by your Company representing a growth of about 6.63% over the previous year.

The Sale of Urea including imported urea was to the extent of 19.44 lakh as compared to 19.18 lakh MT. The complex fertilizer sale was also higher at 6.29 lakh MT for the year under consideration compared to 5.96 lakh MT during the previous year.

Trading activity which was started in 1997-98, showed further increase over previous year. Your Company sold 1.99 lakh MT of Imported urea, 2.24 lakh MT of DAP and 1.14 lakh MT of MOP during the year as against 1.41 lakh MT, 1.70 lakh MT and 0.45 lakh MT respectively in the previous year.

Your Company achieved an all time high in respect of sales in Maharashtra, Karnataka and Tamil Nadu. Substantial increase was registered in Andhra Pradesh, despite adverse climatic conditions during

the year. The northern States suffered a slight setback owing to excess availability of urea and stiff price competition.

Your Company has also been providing eco-friendly products to the farmers. During 1999-2000, your Company marketed about 112 MT of the biofertilizer BIOLA and 31 KL of Micronutrient and MICROLA, both produced by the Company and 50 MTs of neem based coating agent NIMOLA.

3.2.3 Industrial Products:

The Industrial Products Division maintained its usual high performance. During the year 1999-2000, the Division achieved a turnover of Rs.222.7 crore against Rs.217.4 crore registered during the previous year, despite severe recession and fierce competition in the Chemical Sector. The division has been facing global competition in several products such as Argon, Ammonium Bi-Carbonate, Formic Acid and Di-Methyl Acetate. Your Company's strong product Methanol is also affected due to the competition from the imported product due to reduction in the custom duty. Maharashtra Government has revised the rate of sales tax/turn over tax, etc. which also results into higher landed cost of material supplied by manufacturer in Maharashtra, which also affects the sales of Industrial products as large market for Chemicals of your Company exist in the State.

3.2.4 Exports:

Due to softening in prices of Chemicals in international market during the year, your Company could export products worth US \$ 1,13,640 as against US\$ 2,60,019 during the previous year. However, your Company shall be making all efforts to increase the volume of exports of the products.

4.0.0 JOINT VENTURE IN INDIA AND ABROAD:

The restructured proposal for Oman India Fertilizer Company SAOC [OMIFCO] is still under active consideration of Government of India. The proposal is currently undergoing due diligence by Government of India. Based on Government of India's final decision, your Company will decide about the future course of action with regard to the project.



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Methylamines: Based on the MOU signed with UCB S.A. Chemicals, Belgium to produce 30,000 MTPA of Methylamines and derivatives at Thal, the necessary agreements are being negotiated/discussed with the party.

Your Company is also envisaging a joint venture project for manufacturing DAP at Udaipur in Rajasthan with Hindustan Zinc Limited, Udaipur and Rajasthan State Mines and Minerals Limited. A reputed consultant has been entrusted with preparing the detailed feasibility report.

5.0.0 MODERNISATION SCHEME, NEW PLANTS AND PROJECTS:

Your Company has successfully commissioned Sewage Treatment Project at Trombay at a cost of approx. Rs. 38 crore. Your Company is in a position to recycle everyday 5 million gallons of sewage water of BMC and extract fresh water for the use in the plants. The project is likely to reduce the cost of water to the extent of Rs.8 to 10 crore per annum. In addition, the citizens of Mumbai are spared 3 million gallons of fresh water for consumption.

Synthesis loop in Ammonia I plant: Your Company successfully commissioned the Rs.98 crore project of converting the 35 year old high pressure Ammonia synthesis loop to low pressure energy efficient loop to enhance the operating life of the plant. The project enhances the production capacity of Ammonia and reduces the energy consumption.

5.1.0 OTHER PROJECTS IN PROGRESS:

Modernisation of Suphala Bagging Plant [Trombay]

The existing Suphala bagging plant is being replaced by a modern plant at a cost of Rs.28 crore to ensure faster, and more efficient way of bagging the product. The project is expected to be commissioned during the year 2000-2001.

Naphtha Feed Supplement Scheme [Thal]

To overcome the limitation of carbon dioxide caused by lean gas supply and to ensure conversion of more ammonia to urea, Naphtha feed supplement project is being implemented at a cost of Rs.83.35 crore.

The project is expected to be commissioned during the financial year 2000-2001.

The major expansion project at Thal consisting of 1350 MTPD Ammonia and 2200 MTPD Urea plant is awaiting the final approval by the cabinet. The current estimated cost of the project is Rs.1400 crore.

6.0.0 RESEARCH AND DEVELOPMENT.

Your Company has taken up several Research and Development projects in different areas viz: [i] Developing anticaking Agents for ANP and Suphala [ii] Purification of Calcium Nitrate for use as coolant in ANP plant [iii] Development of Defoamer [iv] Research on Solid Soluble Fertilizers. Your Company has also planned to set up necessary facility for regular manufacture of purified calcium nitrate for use in coolant in ANP plant, facility for the production of effective Defoamer for captive use, facility to produce different grades of Microla suitable for different crops by enhancing production capacity and a facility to setup a pilot plant for production of SSF for trial marketing.

The statement in respect of Research and Development in Form -B is enclosed in **Annexure-I**

7.0.0 CONSERVATION OF ENERGY:

The Ministry of Power adjudged the Trombay unit as the second best while bestowing the 'National Energy Conservation Award' for the year 1998-99. The particulars with regard to conservation of Energy, Technology Absorption, Foreign Exchange outgo as required under Section 217[i][e] of the Companies Act, 1956 are enclosed as **Annexure-I**.

8.0.0 ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL:

Your Company is an environment friendly giant fertilizer company, complying with all statutory requirements related to safety, health and environment and constant efforts are being made to further improve the system in line with international norms. Important studies such as Greenbelt assessment, Environmental statement, village air monitoring etc. have been completed. The Environmental Impact and Risk Assessment [EIRA] studies for all the new projects likely to be commissioned, have been completed and the



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

reports have been submitted to the statutory authorities. Your Company is taking steps to obtain ISO 14000 certification for its environmental management system.

The Trombay unit has been awarded the Annual FAI Environmental Protection Award in NP/NPK category for the year 1998-99.

9.0.0 PUBLICITY AND PROMOTION:

9.1.0 Fertilizer Promotion Activities:

Your Company effectively utilized different media during the year to strengthen its brand image in the markets. Your Company has also participated in various District, State and National level agricultural exhibitions. Its stalls at Delhi and Thal were appreciated by the Hon'ble Minister for Chemicals and Fertilizers.

Farmers and dealers are the Company's partners in its growth. As always, dealers with excellent sale performance and progressive farmers were felicitated.

9.2.0 Integrated Rural Development Programme:

Your Company has conducted effective training programmes for the farmers and dealers at the Company's Farmers' Training Institute at Nagpur and Thal. These programmes covered improvements in agricultural practices and also appropriate use of your Company's products. About 550 fertilizer/soil testing day camps were organised during the year. Nearly 60,000 soil samples were drawn and tested thus enabling the farmer to use appropriate doses of fertilizers and maximize fertilizer use efficiency.

Your Company's commitment to the farming community does not end with providing quality products but also extends to improving their overall quality of life. The Integrated Rural Development Programme was started with this objective. During the year, 9 villages were adopted for overall development: Maharashtra-4, Gujrat-1, Andhra Pradesh-1, Karnataka-1, Punjab-1 and Haryana-1. Medical/pulse polio camps were organised to attend to the physical health of the villagers.

10.0.0 HUMAN RESOURCE DEVELOPMENT:

Your Company has been attaching great importance in the field of Human Resource and Development. Due to restructuring and rationalisation of Human Resources by redeployment, the value addition per employee has been improved. The Management Development Centre of your Company conducted several programmes to upgrade the Managerial, Technical and Organisational skills of the employees.

11.0.0 INDUSTRIAL RELATIONS:

Your Company maintained cordial industrial relation with all its employees. All the issues are settled through regular discussions, meetings and dialogues with the employees.

12.0.0 WELFARE AND SPORTS:

Your Company undertakes various types of welfare schemes like education, medical, transport, housing etc. according to the needs of the employees. In regards to sports, various teams of your Company have participated at District, State and National levels and won prizes.

13.0.0 EMPLOYMENT OPPORTUNITY TO WEAKER SECTIONS:

There are 683 Scheduled Caste and 281 Scheduled Tribe employees on the rolls of your Company. During the year, out of 31 persons recruited by your Company 1 belong to SC, 5 belong to ST, 12 belong to OBC and 1 belong to minority communities.

14.0.0 PARTICULARS OF EMPLOYEES:

During the year there were no employees engaged throughout the year who received remuneration not less than Rs. 6,00,000 and there were no employees engaged for the part of the year, whose remuneration was not less than Rs. 50,000 per month.

15.0.0 IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY:

Your Company continued to make efforts to fully implement the provisions of Official Language Act



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

1963 and the policy of the Government. Publicity material and literature for employees and farmers were made available in Hindi and other regional languages. A large number of employees have been trained to use "bi-lingual software" for correspondence and other official work. A news letter "RCF Bhasha Darpan" was also brought out to enhance the use of Hindi.

Your Company is celebrating this year as 'Rajbhasha Varsh' from 14th September, 1999. Several competitions to encourage the employees in acquiring better Hindi were held such as Hindi handwriting, essay writing, debates, recitation of Hindi poetry, singing, coinage of slogans etc.

16.0.0 DIRECTORS.

Shri Y.S. Bhawe [Director], consequent to his posting by Government of Maharashtra as Chairman of MSEB, resigned w.e.f. 19.5.2000. Your Board of Directors place on record the valuable support and contribution of Shri Y.S. Bhawe to the Company during his tenure and wish him success in his new assignment as Chairman of MSEB.

Shri S. Balan and Shri H.C.P. Sinha, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

17.0.0 AUDITORS.

The Central Government has appointed M/s. T.R. Chadha & Co., Mumbai, M/s. K.S. Aiyar & Co.,

Mumbai and M/s. Chandulal Shah & Co., Ahmedabad firms of Chartered Accountants as Joint Statutory Auditors of your Company for the Financial Year 1999-2000. The Auditors would be retiring at the conclusion of the Twenty-second Annual General Meeting. The Statutory Auditors for the Financial Year 2000-2001 will be appointed by the Central Government u/s 619[2] of the Companies Act, 1956.

18.0.0 ACKNOWLEDGMENT:

Your Directors wish to gratefully acknowledge the valuable guidance and continued support extended by the Government of India and in particular the Department of Fertilizers.

The Board also wishes to acknowledge with sincere gratitude, the help and unstinted support from the State Governments, MSEB, MIDC, various media, Municipal authorities, Maharashtra Pollution Control Board, Bankers to the Company, Dealers and Customers.

The Board also wishes to place on record the positive suggestions and guidance provided by the Statutory Auditors and the Office of the Principal Director of Commercial Audit.

Last but not the least, your Directors take pleasure in placing on record their deep appreciation of the excellent contribution made by the employees of the Company at all levels, without which the Company could not have achieved such good performance.

By order of the Board of Directors

D.K. Varma
Chairman and Managing Director

Place: Mumbai
Date : 13.07.2000