

23rd Annual Report 2000-2001



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 2000 - 2001

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RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED



Board of Directors

1. **Shri D.K. Varma**
Chairman & Managing Director
2. **Shri S. Balan**
Director [Finance]
3. **Shri H.C.P. Sinha**
Director [Technical]
4. **Shri U.S. Jha**
Director [Marketing]
5. **Shri H.S. Kamath**
Chairman & Chief Executive
Heavy Water Board
Vikram Sarabhai Bhawan
Anushakti Nagar, Mumbai-400 094.
6. **Ms. Swatantra K. Sekhon**
Executive Director
FICC, Sewa Bhavan
New Delhi-110 001.
[from 22.11.2000]
7. **Ms. S. Bhavani**
Director,
Department of Fertilizers
Govt. of India, Sasthi Bhavan
New Delhi-110 001.
[from 29.5.01]
8. **Shri Vishwas S. Dhumal**
Secretary [Industries]
Government of Maharashtra
Mantralaya, Mumbai-400 020.
[From 27.7.2001]
9. **Shri Pradeep Singh**
Executive Director
FICC, Sewa Bhavan, New Delhi.
[upto 9.8.2000]
10. **Shri D.K. Sikri**
Joint Secretary
Department of Fertilizers,
Government of India, New Delhi.
[upto 25.10.2000]
11. **Shri Vinay Bansal**
Principal Secretary
Government of Maharashtra
Mantralaya, Mumbai-400 020.
[from 20.10.2000 to 24.11.2000]
12. **Shri Ravi Mathur**
Jt. Secretary
Department of Fertilizers,
Government of India, New Delhi.
[from 29.12.2000 to 20.01.2001]

Company Secretary

Shri K.C. Prakash

Bankers

State Bank of India,
Commercial Branch, Swastik Chamber,
Chembur, Mumbai 400 071.

Statutory Auditors:

M/s. T.R. Chadha & Co., Mumbai.
M/s. Chandulal M. Shah & Co., Ahmedabad.
M/s. Gala & Gala, Mumbai.

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 THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY THIRD 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 Chembur Railway Station, Chembur, Mumbai 400 071, on Saturday, the 29th day of September, 2001 at 3 PM. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2001 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend, if any.
3. To fix remuneration of Auditors.
4. To appoint a Director in place of Shri H.S. Kamath, Director, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri U.S. Jha, Director, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

6. To appoint Ms. Swatantra K. Sekhon, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 255, 257 and other applicable provisions of the

Companies Act, 1956, if any, Ms. Swatantra K. Sekhon be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

7. To appoint Smt. S. Bhavani, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Smt. S. Bhavani be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

8. To appoint Shri Vishwas S. Dhumal, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Shri Vishwas S. Dhumal be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 24.08.2001
Place : Mumbai

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

**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, 2001 to 28th September, 2001 [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 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.

The following Explanatory Statement sets out the material facts referred to in Items No. 6 & 7 of the Notice convening the 23rd Annual General Meeting:

Item No. 6

Ms. Swatantra K. Sekhon, who was appointed as Additional Director of the Company, in the 222nd Board Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 81 [5] of Articles of Association of the Company, will hold the office till the date of 23rd Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Ms. Swatantra K. Sekhon, for the office of Director of the Company. Ms. Swatantra K. Sekhon, IAS, is presently the Executive Director, Fertilizer Industry Co-ordination Committee [FICC], New Delhi. Her immense knowledge and the vast experience in various Government Department she possess, would greatly benefit the Company if she is on the Board of Directors of your Company.

None of the Directors, other than Ms. Swatantra K. Sekhon, is interested in the above Resolution.

Item No. 7

Smt. S. Bhavani, who was appointed as Additional Director of the Company, in the 226th Board Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 81 [5] of Articles of Association of the Company, will hold the office till the date of 23rd Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Smt. S. Bhavani, for the office of Director of the Company. Smt. S. Bhavani, is presently the Director, Department of Fertilizers, New Delhi. Her immense knowledge and the vast experience in various Government Department she possess, would greatly benefit the Company if she is on the Board of Directors of your Company.

None of the Directors, other than Smt. S. Bhavani, is interested in the above Resolution.

Item No. 8

Shri Vishwas S. Dhumal, who was appointed as Additional Director of the Company, in the 227th Board Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 81 [5] of Articles of Association of the Company, will hold the office till the date of 23rd Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri Vishwas S. Dhumal, for the office of Director of the Company. Shri Dhumal, is presently Secretary [Industries], Government of Maharashtra, [Industries, Energy and Labour Department], Mantralaya, Mumbai. His immense knowledge and the vast experience in various Government Department he possess, would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri Vishwas S. Dhumal, is interested in the above Resolution.

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 24.08.2001

Place : Mumbai



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Directors' Report

The Directors of your Company have pleasure in presenting their 23rd Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March, 2001.

1.0.0 GENERAL:

Your Company during the current financial year, has achieved the turnover of Rs.2092 crore as compared to Rs. 2328 crore achieved during the previous year. The reduction of approx 10% in the turn over for the current year has been essentially due to the perpetual gas constraint, which affected the production and the plants could not be operated at full rated capacity. However, your Company could improve the net profit over the previous year. To mitigate the constraint to certain extent, 'naphtha feed supplement scheme' is being implemented at Thal. The Company has also entered into a contract with Metgas for supply of LNG and is further exploring for alternate sources, as well.

2.0.0 FINANCIAL PERFORMANCE:

2.1.0 Directors' Responsibility Statement:

The Companies Act, 1956 requires the Board of Directors of the Company to prepare accounts for each financial year giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

The Directors state that :

- i] in preparing the annual accounts, the applicable accounting standards have been followed.
- ii] the accounting policies adopted have been consistently applied and wherever necessary made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end

of the financial year and of the profit or loss of the Company for the year.

- iii] proper and sufficient care has been taken for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv] the annual accounts have been prepared on going concern basis.

2.2.0 Financial highlights for the year 2000-2001:

During the financial year under review, your Company had registered a decline in turn over by approx. 10% compared to the previous year. The Gross Profit from the operations at Rs. 197.20 crore, however, registered an increase over previous year level of Rs.166.70 crore by 18.3%. The Profit Before Tax is also higher at Rs.69.16 crore as against Rs.43.08 crore in the previous year and the net Profit After Tax at Rs.64.97 crore is higher by 85% over the previous years figure of Rs.35.08 crore.

Due to cost control measures, with a marked improvement in energy conservation, the cost of sales has shown a reduction over the previous year and has resulted in an increase in the gross profit by Rs.39.27 crore. However, due to reduction in production and the effect of recoveries made by FICC on sale of Ammonia etc., and also higher depreciation, the gain due to reduction in cost has been off-set to certain extent and the net increase in profit after tax has been only to the extent of Rs.29.89 crore.

Your Company has thus shown remarkable resilience of performance despite the constraints.

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**Summary:**

	Rs. Crore	
	2000-2001	1999-2000
Turnover and other income	2137.93	2374.41
Cost of Sales	1929.12	2204.87
Gross Profit	208.81	169.54
Depreciation	59.10	46.90
Interest [Net]	72.57	72.14
Operating Profit	77.14	50.50
Provision for Extraordinary write-off	7.98	7.42
Profit Before tax	69.16	43.08
Provision for taxation	4.19	8.00
Net Profit	64.97	35.08

2.3.0 Dividend:

In view of the improved performance in profitability of your Company for the financial year, the Board of Directors recommended payment of dividend at the rate of 4% of the share capital, compared to 2% declared in the previous year, which would absorb Rs. 24.32 crore [including Rs.2.25 crore as tax on dividend] from the Net Profit.

2.4.0 Appropriation to General Reserves:

The Company's net profit after provision for the interest and depreciation works out to Rs. 69.16 crore. After making a provision for taxation to the extent of Rs.4.19 crore and setting aside Rs. 24.32 crore towards recommended dividend and tax thereon, the balance of Rs. 40.65 crore in the Profit and Loss Account is proposed to be transferred to the General Reserve.

2.5.0 Public Deposit Scheme

Your Company's Public Deposit Scheme has been discontinued and the Company did not renew any existing deposits or accepted fresh deposits. As on 31st March, 2001, Public Deposits stood at Rs.1.89 crore as against Rs.5.71 crore on the corresponding date of the previous year.

3.0.0 OPERATIONAL RESULTS AND HIGHLIGHTS**3.1.0 Production****3.1.1 Fertilizers**

During the Financial Year, your Company produced 21.72 lakh MT of Fertilizers compared to 25.14 lakh MT in the previous year. The overall capacity utilization was 88%. The production at Trombay Plants during the year 2000-2001 was 8.43 lakh MT [complex 5.52 lakh MT, Urea 2.91 lakh MT] as compared to 10.25 lakh MT during the previous year. The Trombay Unit achieved a capacity utilization of 85 %. Thal Unit produced 13.29 lakh MT of Urea during the year compared to 14.89 lakh MT of Urea produced in the last year, which amounted to 90% of the total installed capacity at the Unit. Production at both the units have been severely affected due to the constraint in the gas availability. The quantity and the pressure of gas supplied by GAIL were below the normal requirement. Production of complex fertilizers was also affected since the changing market scenario forced operations to optimise the mix of products manufactured.

To mitigate the gas problem, your Company has entered into an Agreement with Metgas a subsidiary of Enron, for long term supply of regassified LNG. Your Company has also recently commissioned the 'Naphtha Feed Supplement Project' at Thal, which would enable the plant to run at enhanced capacity by utilising alternate feed 'naphtha' partly alongwith available gas from GAIL.

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. The production of industrial products during the year was 0.92 lakh MT as compared to 0.96 lakh MT during the previous year.

3.2.0 Marketing Performance**3.2.1 Fertilizers**

Your Company achieved a total sales volume



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of 23.30 lakh MT during 2000-2001 compared to 29.10 lakh MT during the previous year. The main reason in the reduction in the volume of sale as compared to last year was due to severe drought in Maharashtra the prime market of your Company and in other states of Gujarat and Madhya Pradesh. The sales dropped by about 2.5 lakh MT in Maharashtra, which accounts for about 60-70% sale of complex fertilizers and about 50% of the total sale of the Company.

In view of the market conditions, trading activity was curtailed. Your Company did not import DAP for trading purpose, which also affected the turnover. Your Company sold 1.34 lakh MT of imported fertilizers during the year as against 5.40 MT in the previous year.

3.2.3 Industrial Products

The Industrial Products Division continued with its good performance. During the year 2000-2001, the division achieved a turnover of Rs.282 crore against Rs.222.70 crore registered during the previous year, despite continued severe recession and fierce competition both from domestic and international Companies.

3.2.4 Exports

Export turnover for the year 2000-2001 has been US\$ 91,740. Your Company could not sell more of the products due to competition mainly from China offering better credit terms and low prices in Ammonium Bicarbonate and N-15.

In line with the encouraging Government policies for exports, your Company would endeavour to increase exports to higher limits.

3.2.5 Impact of Government Policies:

Phosphatic and Potassic Fertilizers continue to be under the indirect control of the Government of India MRPs/ rate of adhoc concession on these products are still fixed by the Government of India. The adhoc concessions are being paid to the manufacturer/importer in two phases – 80% as “on account” payment based on quantum of material sold and 20% based on certification of claims by the respective State

Governments. The productwise rates of adhoc concessions are fixed quarterwise based on import prices and also taking into account foreign exchange fluctuations. These rates are fixed after the completion of the quarter. Since the international market is volatile and the margins are small, it is difficult to make accurate assessment in advance to determine profitability of trading operations.

3.2.6 Future plans of Fertilizer marketing

Your Company has prepared a plan to increase its turn over from 23.30 lakh MT in 2000-01 to 28 lakh MT in the current year. Your Company also intends to market 150 MT of biofertilizers and 80,000 litres of micronutrients during the year.

4.0.0 JOINT VENTURE IN INDIA AND ABROAD

Your Company has withdrawn from Joint Venture Oman India Fertilizer Co., SAOC [OMIFCO] project, as per the directives of the Government of India. The shares subscribed by your Company initially have also been transferred in the name of IFFCO after receiving the payment thereof.

Your Company has also decided to go slow on the joint venture project with UCB SA, Chemicals, Belgium to produce 30,000 MTPA, of Methylamines, as the project viability is uncertain due to the changed global scenario.

Your Company is considering a proposal for a joint venture project for manufacturing Di-Ammonium Phosphate [DAP] at Udaipur in Rajasthan alongwith Hindustan Zinc Limited [HZL], and Rajasthan State Mines and Minerals Limited [RSMML]. The partners are in the process of finalising the feasibility report.

Your Company is also exploring other new projects.

5.0.0 MODERNISATION SCHEME, NEW PLANTS AND PROJECTS

Your Company has been taking up projects regularly to modernise, improve the efficiencies of the existing plants and add new facilities.

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The status of the various project during the financial year 2000-2001 is as under:

1. *New Suphala Bagging Project at Trombay.*

New Suphala Bagging Project at Trombay at a cost of Rs.28 crore has been mechanically completed and the work of commissioning the project is underway to ensure that the plant runs at the envisaged rate. When the plant is fully commissioned, it will have 2000 MTPD capacity with latest technology, modern weighing and stitching machine and electronic PLC controls. It will improve the efficiency of bagging and handling of products, with minimum generation of dust and with clean environment.

2. *Naphtha Feed Supplement Scheme at 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 has been commissioned recently.

3. *Optimisation of Urea Plants at Thal*

An energy saving optimization scheme for Urea Plant at Thal to reduce steam consumption is under implementation at an estimated project cost of Rs.40 crore. The steam consumption of the Urea plant would be reduced from 1.5 MT of Urea to 1.17 MT when the project is commissioned, which is likely to be in June 2002.

4. *Additional Ammonia Urea Complex at Thal*

A major expansion project at Thal consisting of 1350 MTPD Ammonia and 2300 MTPD Urea plant is awaiting the final approval by the Government of India. The current estimated cost of the project is Rs.1446 crore.

5. *The Technology up-gradation of HP Nitric Acid Plant, at Trombay at an estimated cost of Rs.53 crore, is envisaged to extend the productive life of HP Nitric Acid Plant, with safe and environment friendly operation of*

the plant and to sustain the production capacity of complex fertilizer in Trombay unit.

6.0.0 RESEARCH AND DEVELOPMENT

Your Company has taken up several Research and Development projects, some of the significant ones are as under:

An inherent problem in Nitrophosphate plants is the creation of foam during acidulation of Rock Phosphate. The anti-foaming agents available in the market are not effective to overcome this problem. The R&D division has developed an anti-foaming agent which is on trial run in the ANP and Phosphoric Acid Plants. As the same has been found very effective, a production plant is being set up in Trombay. R&D division has also developed Solid Soluble Fertilizers [SSF]. A pilot plant of 24 MTPA capacity is being set up for trial production and marketing of the product. The plant is expected to start production by August, 2001. The division is also in the process of development of liquid micronutrient fertilizers, liquid bio-fertilizers and mixed N and P Bio-Fertilizers.

7.0.0 CONSERVATION OF ENERGY

Energy Conservation Measure Taken:

Your Company's continuous efforts in energy conservation were acknowledged by M/s. International Greenland Society which has considered RCF Trombay unit as the Best organisation and bestowed the 'Excellent Energy Conservation Implementation Gold Award' in July, 2000.

Further, the 35 year old Synthesis section of Ammonia I Plant has been revamped with latest energy efficient low pressure synthesis loop and was successfully commissioned in May-June, 2000 and at 80% capacity utilisation the energy saved is about Rs.500 lakh.

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**.



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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. RCF Trombay unit, has been honoured with the most prestigious "Maharatta Chambers of Commerce, Industries and Agriculture- Dr. R.J. Rathi Award for Environmental Pollution Control in Industries in Maharashtra" for the year 1999-2000. Your Company is committed to continuously improve the environment in and around the factory. Your Company has taken steps for obtaining ISO 14000 certification for its environmental management system. Environment Management System has already been established in line with the requirement of ISO-14001:1996 guidelines.

9.0.0 PUBLICITY AND PROMOTION

9.1.0 Fertilizer Promotion Activities

Fertilizer promotion activities continued to play a major role in achieving sales turnover. Your Company has established around 40 Farmer Service Centres during the year and also conducted several Farmers'/dealers' training course. Soil testing Services is an important part of the fertilizer promotion programme of the Company. A novel programme called "Catch – them-young" was launched to educate the rural students.

9.2.0 Integrated Rural Development Programme

As part of its commitment to improve the socio-economic conditions of the farming community, the Company adopted 17 villages from nine states during the year.

10.0.0 HUMAN RESOURCE DEVELOPMENT

Human Resource Management has assumed greater significance in the changing philosophy of PSUs and the increasing need to compete globally. The major thrust has been on value addition.

Optimum utilisation of manpower, redeployment and retraining have been the major areas of

concern and suitable strategy is being evolved to achieve the organisational goals through empowerment and motivation of the manpower.

The Human Resource Development activities were focused on strengthening the technical and managerial skills of the employees for which several need based programmes were conducted.

11.0.0 INDUSTRIAL RELATIONS.

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

12.0.0 WELFARE AND SPORTS.

Your Company undertakes various types of welfare scheme 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 679 Scheduled Caste [SC] and 277 Scheduled Tribe [ST] employees on the Rolls of your Company. Apart from this, your Company has provided employment to 26 physically handicapped persons also. During the year, out of 21 persons recruited by your Company, 6 belong to SC, 1 each belonging to ST/ OBC and 2 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. 12,00,000. However, there were 11 employees engaged for the part of the year, whose remuneration was not less than Rs.1,00,000 per month the particulars of which are given in **Annexure-II** as a part of this Report. No such employee is related to any of the Directors.

In terms of Section 219[1] [b] [iv] of the Companies Act, the Report and Accounts are