

25th Annual Report

2002-2003

REPORT JUNCTION



Rashtriya Chemicals and Fertilizers Limited



Rashtriya Chemicals and Fertilizers Limited

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

ANNUAL REPORT 2002 - 2003

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Board of Directors

1. **Shri S. Balan**
Chairman and Managing Director
[from 31.10.2002]
Director [Finance] upto 30.10.2002
2. **Shri U.S. Jha**
Director (Marketing)
3. **Shri H.P. Pota**
Director (Technical)
4. **Shri M. Sundararaman**
Director (Finance)
[from 14.6.2003]
5. **Ms. Swatantra K. Sekhon**
Executive Director
FICC, Sewa Bhavan, New Delhi.
6. **Shri Balvinder Kumar**
Jt. Secretary,
Department of Fertilizers,
New Delhi.
7. **Shri Ashok Misra**
Director, IIT, Powai, Mumbai 76.
[from 29.11.2002]
8. **Dr. (Mrs.) Hemalatha Santhanam**
Director, Jamnalal Bajaj Institute of
Management, Mumbai.
[from 29.11.2002]
9. **Shri K.P. Fabian**
C/45, I.F.S. Apartments, Mayur Vihar,
Phase I, Delhi 110 091.
[from 29.11.2002]
10. **Lt. Gen. (Retd) M.S. Bhullar,**
House no. 138, Sector 38,
Arun Vihar, Noida 208 303.
[from 29.11.2002]
11. **Shri Sanjay Kaushik,**
E-14/22, Vasant Vihar,
New Delhi 110 057.
[from 29.11.2002]
12. **Shri D.K. Varma**
CMD upto 31.10.2002
13. **Shri H.S. Kamath**
[upto 28.6.2002]
14. **Shri Vishwas S. Dhumal**
[upto 13.6.2003]

Company Secretary

Shri K.C. Prakash

Bankers

State Bank of India
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 & Co., Mumbai.

Share Transfer Agent

M/s. Intime Spectrum Registry Ltd
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup
Mumbai 400 078.

Registered Office

"Priyadarshini"
Eastern Express Highway
Sion, Mumbai 400 022.
E mail address : csrcl@vsnl.net
Website address : www.rcfltd.com



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

Notice

TWENTY FIFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY FIFTH 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 Thursday, the 31st day of July, 2003 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, 2003 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To fix remuneration of Auditors.
3. 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:

4. To appoint Lt.Gen (Retd) M.S.Bhullar 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, Lt.Gen (Retd) M.S.Bhullar be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
5. To appoint Shri K.P.Fabian 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 K.P. Fabian be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

6. To appoint Prof. Ashok Misra 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, Prof. Ashok Misra be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

7. To appoint Dr. (Mrs) H.Santhanam 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, Dr. (Mrs) H. Santhanam be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

8. To appoint Shri Sanjay Kaushik 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 Sanjay Kaushik be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

9. To appoint Shri M. Sundararaman, 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 M. Sundararaman be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

10. To consider and if though fit, with or without modification the following resolution as



Special Resolution, to amend the Articles of Association of the Company:

"RESOLVED THAT subject to Section 32 of the Companies Act, 1956 and other applicable provisions, if any, thereof and further subject to the approval of the Government and/or any authorities as may be applicable, the following clauses of the Articles of Association of the Company be altered, amended or added as indicated herein:

- (i) Article 1(1) to read as under :

"Member" means the duly registered holder from time to time, of the shares of the Company including the person whose name is entered as beneficial owners in respect of the dematerialized shares, in the records of the depository and includes the subscribers of the Memorandum of Association of the Company.

- (ii) Article 7 to read as under :

"Each share shall be distinguished by its appropriate number, provided that the same is held in the physical form. The shares held with a depository shall not have any distinctive number".

- (iii) Articles 40 to read as under :

"Subject to the approval of the President, and subject to the provisions of Section 292 and 293 of the Act, the Directors may, from time to time, borrow or secure the payment of any sum or sums of money for the purpose of the Company.

No approval of the President would be necessary for borrowing upto Rs.500 Crore each time, from financial institutions towards meeting the capital expenditure. Further, no approval of the President would be necessary for borrowing from the banks, financial institutions for the purpose of meeting the working capital requirements on hypothecation of Company's current assets".

- (iv) In Article 41 to add the words : "as may be required" after the word "President" in the second line.
- (v) To insert a new article numbered 59A after Article 59 to read as under:

"Where the Central Government, by notification, prescribes that a particular business shall be conducted only by postal ballot, such a business shall be conducted and the resolution be passed by means of a postal ballot, instead of transacting the business in general meeting of the Company and the provisions of Sec. 192-A of the Act shall be applicable".

- (vi) To replace the words "Executive/Functional Directors" by "Whole Time Directors" in Articles 81(1) (a) and 81(2), (3), (4), (5), 83 and 86.

- (vii) Article 85(2) to read as under :

"To approve all capital projects and to incur capital expenditure on new projects estimated not exceeding Rs.300 crore and to modernise, purchase equipment, issue contracts without obtaining the approval of President."

However, approval of President of India would be required to incur capital expenditure if the estimated cost of the individual project exceeds Rs. 300 crore

- (viii) Articles 85[3] to read as under :

"To authorise the Undertaking of works of Capital nature in advance of the preparation and approval of a detailed Project Report with estimates or otherwise as individual works or for replacement and renewal of assets due to normal wear and tear subject to the condition that all cases involving a Capital Expenditure exceeding Rs.300 Crore shall be referred to the President for his approval".

- (ix) To add the words "as may be necessary" after the words "approval of President of India" in Article 85[23].
- (x) Add the following as Article 85 [24] , 85[25] and 85[26] by inserting after Articles 85[23]:

Article 85[24]

"To structure and implement schemes relating to personnel and human resource management, training, voluntary and/or compulsory retirement schemes and to make rules governing the general conditions of service of the employees, Employees' Provident Funds and any other terminal benefit Funds and to create reserves and special benefit funds".



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Article 85 [25] :

To establish Joint Ventures and subsidiaries in India with investments not exceeding Rs. 100 Crore in any one project provided that such investment shall not exceed 5% of the net worth of the Company in each case and further subject to an overall limit of 15% of the net worth of the Company in all the Joint Ventures and subsidiaries put together. Establishment of Joint Ventures /Subsidiaries/Branch Offices abroad shall be with the prior concurrence of the administrative Ministry".

Articles 85[26] :

To enter into technological Joint Ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to the guidelines laid down by Government from time to time".

"RESOLVED FURTHER THAT the Board is authorised to take all such necessary steps as may be required to give effect to the above resolution".

11. **To delist the shares of the Company from Delhi, Calcutta and Madras Stock Exchanges, and to consider and, if thought fit, to pass with or without modification, the following resolution as an Special Resolution :**

"RESOLVED THAT, subject to the approvals as may be required under the SEBI (Delisting of Securities) Guidelines 2003 and other applicable Rules, if any, approval is hereby accorded to the Board of Directors for delisting the equity shares of the Company from Delhi Stock Exchange Association Ltd, Calcutta Stock Exchange Association Ltd and Madras Stock Exchange Ltd."

"RESOLVED FURTHER THAT the Company has no intention to give an exit option to those share holders of Delhi, Calcutta and Madras Stock Exchange regions as the equity shares continue to be listed on Bombay Stock Exchange and National Stock Exchange".

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 25th June, 2003

Place : Mumbai

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 16.7.2003 to 31.7.2003 [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 Ltd, C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup, Mumbai 400 078
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.
5. Pursuant to the provisions of Section 205 A (5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Share holders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Registrar and Transfer Agents, M/s. Intime Spectrum Registry Limited immediately. Share holders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any claims.

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The following Explanatory Statement sets out the material facts referred to in Items No. 4 to 11 of the Notice convening the 25th Annual General Meeting:

Item No. 4

Lt. Gen. (Retd) M.S.Bhullar, who was appointed as Additional Director of the Company, in the 239th 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 25th 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 Lt. Gen (Retd) M.S Bhullar, for the office of Director of the Company. Lt. Gen (Retd) M.S. Bhullar has served the Indian army for a period of 39 years in various positions and has been honoured by Government of India with PVSM and VSM awards. His immense knowledge and vast experience in the defence department he possesses, would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Lt. Gen. (Retd) M.S. Bhullar, is interested in the above Resolution.

Item No. 5

Shri K.P. Fabian, IFS, who was appointed as Additional Director of the Company, in the 239th 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 25th 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 K.P. Fabian, for the office of Director of the Company. Shri K.P. Fabian has served as Ambassador in several countries such as Finland, Qatar, Italy etc. He has co-ordinated in 1989-92 for the massive evacuation of our

compatriots from Kuwait and Iraq in the wake of Iraq's invasion of Kuwait. He was a permanent representative to the United Nations in Rome including Food and Agricultural Organisation, World Food Programme and the International Fund for Agricultural Development. In Austria he was alternate representative of India to the International Atomic Energy Agency and the United Nations Organisation for Industrial Development. His immense knowledge and vast experience he possesses would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri K.P. Fabian, is interested in the above Resolution.

Item No. 6

Prof. Ashok Misra, who was appointed as Additional Director of the Company, in the 239th 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 25th 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 Prof. Ashok Misra, for the office of Director of the Company. Prof. Ashok Misra is a B.Tech and has obtained Ph.D in Polymer Science & Technology from Amherst N.A. USA. He is presently Director, IIT, Mumbai and a part-time Director in National Thermal Power Corporation Ltd (Delhi), Mewar Polyfax Pvt. Ltd. (Udaipur), Anjani Technoplast Ltd. (Delhi) and Aksh Broadband Ltd., Gurgaon (Haryana). His immense knowledge and vast experience he possesses in educational and in Industrial Management would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Prof. Ashok Misra, is interested in the above Resolution.

Item No. 7

Dr. (Mrs.) H. Santhanam, who was appointed as Additional Director of the Company, in the 239th



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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 25th 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 Dr. (Mrs.) H. Santhanam, for the office of Director of the Company. Dr. (Mrs.) H. Santhanam, is post graduate in Statistics with specialization in Economics and Doctoral qualification (Ph.D). Dr. (Mrs.) H. Santhanam, is presently Director of Jamnalal Bajaj Institute of Management Studies, Mumbai. She has undertaken the consultancy work of several reputed corporates in the field of marketing distribution, Logistics and Operational Research. Her immense knowledge and vast experience, she posses would greatly benefit the Company if she is on the Board of Directors of your Company.

None of the Directors, other than Dr. (Mrs.) H.Santhanam, is interested in the above Resolution.

Item No. 8

Shri Sanjay Kaushik, who was appointed as Additional Director of the Company, in the 239th 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 25th 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 Sanjay Kaushik, for the office of Director of the Company. Shri Sanjay Kaushik, is a post graduate and Doctoral qualification in the areas of Management and Ecology and Environment. Presently he is the Chairman of the Paramount Resources India Pvt. Ltd. and Advisor to various International Companies. His immense knowledge and vast experience in Business and related fields would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri Sanjay Kaushik, is interested in the above Resolution.

Item No. 9

Shri M. Sundararaman, who was appointed by President of India as whole time Director (Finance) of the Company w.e.f. 14th June, 2003 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 25th 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 M. Sundararaman, for the office of Director of the Company. Shri M. Sundararaman was the Executive Director (Finance) of the RCF. He is a Chartered Accountant by profession. Prior to joining in RCF, he was working with Bharat Petroleum Corporation Ltd.

None of the Directors, other than Shri M. Sundaraman, is interested in the above Resolution.

Item No. 10

Government of India has accorded the Company 'Mini-Ratna status' which entails the Company without obtaining approval of the Government to undertake capital expenditure upto Rs.300 Crore, establishing of Joint Ventures, subsidiaries and branch offices with investment not exceeding Rs.100 Crore in each case and for structuring and implementing schemes relating to personnel and human resources management. Presently the Company has to obtain the approval of the President before taking up projects costing Rs.100 crore and also had no authority to implement personnel policies and establishing Joint ventures. The Proposed amendments in the Articles provide greater autonomy to the Company in carrying out the business and hence will be advantageous. It is therefore recommended to the members to pass the resolution.

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The other amendments proposed are essentially to have the effect as under:

- (i) Article 1(1) and 7 to clarify that the beneficiary of the shares under demat shares as member and that the dematted shares shall have no number.
- (ii) Article 40 and 41 to authorise the Board to borrow, subject to the provisions of the Act, which presently needs the approval of President of India. Considering that the Company has large paid up capital and free reserves, the articles are being amended to permit borrowings and creating securities upto Rs.500 crore without the approval of President of India
- (iii) Article 59 A to insert the provisions made under Companies Act.
- (iv) As the articles 81 (1) (a), 81 (2) (3) (4) (5), 83 and 86 refers to Executive/ Functional Directors, to avoid ambiguity the change is proposed.

None of the Directors are interested in the resolution.

Item no. 11 :

During the previous AGM, the share holders approved for de-listing the equity shares of the Company from Delhi Stock Exchange, Calcutta Stock Exchange and Madras Stock Exchange as the trading on these exchanges has been very negligible. However, as SEBI has issued guidelines under SEBI (Delisting of Securities guidelines), 2003 thereafter in respect of Voluntary delisting of shares, Madras Stock Exchange has requested the Company to follow the guidelines for delisting. The Company's shares would however, continue to be listed on BSE and NSE where the equity shares are actively traded.

None of the Directors are interested in the resolution.

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 25th June, 2003

Place : Mumbai

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RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Directors' Report

The Directors of your Company have pleasure in presenting this 25th Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March, 2003.

1.0.0 GENERAL:

Your Company maintained its good operational performance during the current financial year, achieving a gross turnover of Rs.2094.81 crore compared to Rs.2064.37 crore during the corresponding period of previous year, inspite of adverse climatic conditions in many parts of the country and the perpetual gas constraint, which affected the production at the plants.

1.1.0 DISINVESTMENT:

Department of Disinvestment has started the process of disinvestment of your Company by inviting 'Expression of Interest' for acting as Advisors. Government of India propose to disinvest 51% of its equity in your Company to a strategic partner, with transfer of Management Control.

2.0.0 FINANCIAL PERFORMANCE:

2.1.0 Financial highlights for the year 2002-2003:

The Government of India implemented the 7th and 8th pricing policies for urea retrospectively from 1.7.1997. Your Company was adversely affected with net recovery to the extent of Rs.111.29 crore for the period upto 31.3.02 and the current operational profit also had an impact of Rs.50.33 crore. The adhoc concession on complex fertilizers were reduced drastically by the Government of India. Your Company suffered to the extent of Rs.48.43 crore on this account. These were partly compensated by (i) receipt of Rs.21.75 crore from FCI towards the Inter-Corporate loan which was written off in earlier years (ii) by receipt of Interest on Income Tax paid to the extent of Rs.4.03 crore and (iii) Sales Tax set off of Rs.1.80 crore. The net impact of all these extraneous items amounted to Rs.187.42 crore.

Your Company earned a Gross Profit of Rs.202.80 crore compared to Rs.187.86 crore during the corresponding period in the previous year and a Net Profit Before Tax and

extraordinary items of Rs.90.71 crore compared to Rs.52.61 crore in the previous year.

However, in view of the extraneous items, your company incurred a net loss of Rs. 48.07 crore compared to net profit after Tax of Rs.24.21 crore earned in the previous year.

Several steps have been taken to contain cost and improve efficiencies, such as : (i) implementation of energy saving schemes and urea optimization scheme in Thal; (ii) Reduction in working capital and concomitant saving in Interest cost; (iii) Offer of VRS to regular employees and VSS to Mathadi Workers; etc., which resulted in better operational profit.

Considering the constraints under which the operations are undertaken, your Company has been able to perform well.

Summary of financial performance:

	Rs. Crore	
	2002-2003	2001-2002
Turnover and other income	2094.81	2064.37
Cost of Sales	1892.01	1876.51
Gross Profit	202.80	187.86
Depreciation	68.25	76.88
Interest [Net]	40.54	58.37
Profit before tax without Extra-ordinary item	94.01	52.61
Extra ordinary items	(187.42)	—
Profit After Tax	(90.71)	52.61
Provision for current taxation	0.02	4.25
Provision for deferred tax	(42.66)	24.15
Net Profit/ (Loss)	(48.07)	24.21

2.2.0 Dividend:

In view of the loss incurred in the year, Your Board of Directors have not recommended payment of dividend.

2.3.0 Appropriation to General Reserves:

The net loss of Rs.48.07 crore has been carried forward in Profit & Loss Account and the total Reserves and Surplus has come down from Rs.681.47 crore as at 31.3.02 to Rs.633.41 crore.