

Annual Report 2003-2004

26th

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Rashtriya Chemicals and Fertilizers Limited

RCF Bags FAI Safety Excellence Award

Excellence in Safety in Nitrogenous and
Complex Fertilizer Plants for the year 2002-2003



Shri. S Balan, Chairman And Managing Director, RCF received FAI Safety Award Trophy from Hon'ble Shri S. S. Dhindsa, Union Minister for Chemicals & Fertilizers, (left) H. E. Maqbool Ali Sultan, Minister of Comm. & Industry, Sultanate of Oman also seen (right) Shri. N. K. Sharma, CGM (Tr)



Rashtriya Chemicals and Fertilizers Limited

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

ANNUAL REPORT 2003 - 2004

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Board of Directors

1. **Shri S.Balan**
Chariman and Managing Director
2. **Shri U.S.Jha**
Director (Marketing)
3. **Shri M. Sundararaman**
Director (Finance)
4. **Shri H.S. Karangle**
Director (Technical)
(from 20.12.2003)
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 - 400 076.
8. **Dr. (Mrs.) Hemlatha Santhanam**
64-B, Twin Towers Lane,
Off Veer Savarkar Marg,
Prabhadevi, Mumbai - 400 025.
9. **Shri K.P.Fabian, IFS (Retd.)**
C/45, I.F.S. Apartments,
Mayur Vihar,
Phase I, New Delhi - 110 091.
10. **Lt. Gen. (Retd.) M.S. Bhullar**
House no. 138, Section 37,
Arun Vihar, Noida - 208 303.
11. **Shri Sanjay Kaushik**
E-14/22, Vasant Vihar,
Behind Modern School,
New Delhi - 110 057.
12. **Shri H.P.Pota**
Director (Technical)
[upto 30.11.2003]

Company Secretary

Shri K.C.Prakash

Bankers

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

Statutory Auditors :

M/s. Gala & Gala, Mumbai
M/s. A. J. Shah & Co., Mumbai
M/s. S. Mohan & Co., Ahmedabad

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 : csrccf@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 SIXTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED will be held at Sivaswamy Auditorium, The Fine Arts Society, Plot No. 16&21, R.C. Marg, Near Chembur Railway Station, Chembur, Mumbai 400 071 on Thursday, the 29th day of July, 2004 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, 2004 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 Ms. Swatantra K. Sekhon, Director, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Shri Balvinder Kumar, Director, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Dr.(Mrs.) H. Santhanam, Director, who retires by rotation and being eligible, offers herself for reappointment.

SPECIAL BUSINESS :

6. To appoint Shri H.S. Karangle, 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 H.S. Karangle be and is hereby appointed as Whole time Director of the Company who shall not be liable to retire by rotation".

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 06.06.04

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 22.07.2004 to 29.07.2004 [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 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 at least 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, 1997 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



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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.

The following Explanatory Statement sets out the material facts referred to in Item No. 6 of the Notice convening the 26th Annual General Meeting:

Item No. 6

Shri H.S. Karangle, has been appointed by President of India as a whole time Director (Technical) of the Company w.e.f. 20.12.2003 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 26th 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 H.S. Karangle, for the office of Director of the Company. Shri H.S. Karangle was the Executive Director (Co-ordination) of the Company. He is a Mechanical Engineer by qualification. Shri Karangle joined the Company [erstwhile FCI] in the year 1972 as JE [T] and has taken up responsibilities in several functions before his elevation as Board member. His immense knowledge and the vast experience in the Company would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri H.S. Karangle, is interested in the above Resolution.

By order of the Board of Directors

K.C. Prakash
Company Secretary

Date : 06.06.04

Place : Mumbai

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Rashtriya Chemicals and Fertilizers Limited

DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting this 26th Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March, 2004.

1.0.0 FINANCIAL PERFORMANCE:

1.1.0 Financial highlights for the year 2003-2004 :

Your Company's overall performance was excellent during the financial year 2003-04. The Company achieved a turnover of Rs.2300.34 crore as against Rs.2025.79 crore during the previous year registering a growth of 13.6%. The Company achieved a profit before tax of Rs.257.13 crore as against the loss of Rs.90.71 crore during the previous year. The net Profit After Tax during the current year is Rs. 167.79 crore against a net loss of Rs.48.07 crore in the previous year.

The higher turnover and substantial increase in the net profit despite adverse climatic conditions in the primary markets could be achieved due to sustained total quality management applied. Sustained importance given to cost control/ cost reduction and efficiency improvement has yielded good result during the year. The major contributing factors for the improved performance are :

- Reduction in energy consumption of Urea at Thal from 6.95 G Cal to 6.57 G Cal, due to various energy saving measures undertaken. Similarly, the energy consumption in Ammonia Plant at Thal and Ammonia V plant at Trombay has been brought down significantly, due to better maintenance and de-bottlenecking measures undertaken.
- Better working capital and Cash management including, interest swapping, significant improvement in cash collections from the dealers and from Government in respect of subsidy claims resulting in reduced interest cost.
- Higher production, sales and strict cost control measures adopted resulting in lower costs in all inputs.

Summary of financial performance:

Particulars	Rs. lakh	
	2003-2004	2002-2003
Income from operations*	230034	202579
Other Income	5075	6902
Total Income	235109	209481
Total Expenditure	211638	207673
Gross Profit	23471	1808
Interest	(9159)	4054
Depreciation	6917	6825
Profit/ (Loss) before tax	25713	(9071)
Provision for Tax (including deferred Tax liability/ Asset)	8934	(4264)
Net Profit/(loss)	16779	(4807)

* 2002-03 is after adjustment of subsidy amounting to Rs.(11129) lakh on account of 7th/8th pricing policy.

1.2.0 Dividend:

In view of good performance, your Board of Directors have recommended for payment of 17% dividend on equity capital. This is highest ever dividend declared by your Company. The recommended dividend along with tax thereon works out to Rs. 105.81 crore.

1.3.0 Appropriation to General Reserves:

The Company earned a net Profit after Tax of Rs.167.79 crore. After adjusting the debit balance of Rs.48.07 crore in the Profit and Loss Account, the net balance in Profit and Loss Account is Rs.119.72 crore. The dividend pay out along with Tax thereon is Rs.105.81 crore. The balance amount of Rs.13.91 crore is transferred to General Reserves.

1.4.0 Public Deposit Scheme.

Your Company's Public Deposit Scheme has been discontinued and as on 31st March, 2004, there are no fixed Deposits with the Company.

2.0.0 MANAGEMENT DISCUSSION AND ANALYSIS :

2.1.0 OPERATIONAL RESULTS :

2.1.1 PRODUCTION

2.1.2 Fertilizer

Your Company produced 22.32 lakh MT of



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fertilizers during the year as against 21.10 lakh MT produced in the previous year. In terms of nutrients, the Company produced 8.76 lakh MT of Nitrogen, 0.91 lakh MT of P₂O₅ and 0.44 lakh MT of K₂O during the year as compared to 7.91 lakh MT of N, 0.95 lakh MT of P₂O₅ and 0.46 lakh MT of K₂O. The production would have been better but for the constraint in feedstock gas supply. The performance of the units are given below:

2.1.2.1 Thal Unit:

Thal unit produced a record 16.87 lakh MT of Urea during the year compared to 14.93 lakh MT produced in the previous year, recording an increase of 13%. The unit achieved a capacity utilisation of 98.86%. The naphtha feedstock supplement unit through which production levels are maintained by using naphtha has yielded good results. Modifications carried out in the pipelines connecting the pre-desulphurisation section enabled increasing the naphtha feed flow by 6 MT per hour in Ammonia plant, resulting in higher CO₂ production and consequently increased the Urea production. Other steps taken have resulted in the lower consumption of raw water, steam and energy and improved nutrient efficiencies.

2.1.2.2 Trombay Unit:

The Trombay plant produced 5.45 lakh MT of fertilizers (Urea 0.17 lakh MT, Suphala 15:15:15 2.93 lakh MT, ANP 2.35 lakh MT) during the year under report compared to 5.73 lakh MT (Urea 0.20 lakh MT, Suphala 3.04 lakh MT, ANP 2.49 lakh MT) during the previous year. The Trombay unit achieved a capacity utilization of 55.40% compared to 57.84% during the previous year.

The supply of Associated gas has been a constraint though the supply during the financial year was marginally better than the previous year, which enabled running Ammonia I and Urea V plant. The unit produced 1.94 lakh MT of Nitrogen during the year (previous year 1.90 lakh MT), 0.94 lakh MT P₂O₅ compared to previous year 0.97 lakh MT, 0.44 lakh MT K₂O compared to previous year 0.46 lakh MT. The unit achieved significant energy efficiency in Ammonia V by bringing down energy

consumption from 12.12 G Cal in the previous year to 11.84 G Cal. Production of complex fertilizers was determined by the market situation and needed optimisation in view of the fierce competition.

2.1.3 Industrial Products:

Your Company is one of the prime chemicals manufacturers in the country producing several Industrial Chemicals at the two units. During the year, your Company produced 1.16 lakh MT of various Industrial Chemical products which is at the same level as that of previous year.

2.2.0 MARKETING PERFORMANCE:

2.2.1 Fertilizers:

Your Company achieved a total sales volume of 24.15 lakh MTs during 2003-04 as compared to 22.53 lakh MTs in 2002-03, an increase of 8% over the previous year, inspite of severe drought conditions in the Company's primary market. During the year, your Company sold 17.31 lakh MT of Urea, 3.23 lakh MT of Suphala 15:15:15, 2.56 lakh MT of Suphala 20:20:0 and 1.04 lakh MT of bought out material as compared to 15.66 lakh MT, 3.14 lakh MT, 2.54 lakh MT and 1.19 lakh MT of bought out material respectively during the previous year.

2.2.2 Industrial Products:

The Industrial Products Division maintained its good performance during the year 2003-04. The division achieved a turnover of Rs.387.90 crore as compared to Rs.335.38 crore during the previous year, despite continued severe recession and fierce competition both from domestic and international markets. All the major Industrial products such as Methanol, Methylamines, Ammonium Bi-carbonate, Ammonium Nitrate/ Nitrite etc were produced at higher levels than in previous years, as the Company could create new markets.

2.2.3 Exports :

The Export turnover for the year 2003-2004 was Rs. 0.16 crore as against Rs.0.11 crore achieved during the previous year. During 2003-04, your Company exported Suphala 15:15:15, Nitric Acid, Ammonium Bicarbonate and Argon.

2.3.0 The Fertilizer Industry:

While urea is under the control in respect of



Rashtriya Chemicals and Fertilizers Limited

price, distribution and movement, Phosphatic and Potassic fertilizers continue to be under the indirect control of the Central and State Governments. The installed capacity of fertilizer industry in the country is about 120 lakh MT of nitrogen and 51 lakh MT of Phosphatic nutrient spread over public, private and co-operative sectors. Your Company's market share is about 9% of the total Fertilizers sold in the Country.

2.4.0 Strength and Weakness :

Your Company is essentially in the field of manufacturing and marketing fertilizers. Your Company has manufacturing units some of which were commissioned as far back as in 1965. The plants have been maintained with utmost care and maintenance to ensure that the plants can operate at optimum capacities. The Company produces low cost urea and shall be able to face the domestic and international competition if the Government takes a decision to completely free the industry from controls. The manufacturing units have the advantage of proximity to major seaports, as the raw materials for manufacturing the products are imported. With the recent gas finds in both west and east coasts as well as in Rajasthan, the availability of feed gas is likely to be ample in about two years time.

The Company's market depends upon the monsoons. However, despite the three consecutive drought years, the Company has been able to increase the production of fertilizers by 1.70 lakh MT and sales by 1.69 lakh MT during the year, and could increase the market share to 9% from about 8% in the previous year due to the constraint in feed stock and the droughts.

The new urea policy has been in effect from 1.4.2003. There are two major features of the policy that would directly impact operations of your Company. Firstly, instead of the unit specific retention prices, a group based retention price has been fixed. It is unviable to operate the Trombay urea plant under the scheme.

Secondly, the Government has deregulated 25% of urea production from movement control

with effect from 1st April, 2003 and from Rabi 03-04, the deregulated quantity is increased to 50%. The regulated quantity is eligible for the average equated freight for the past three years. The freight subsidy on the deregulated quantity is lower by Rs.100 per MT than the level fixed for the regulated quantity. This would affect the Company inasmuch as it forces the Company to operate in nearby territories and this may have an impact on the explorations of new markets.

2.5.0 Future plans of fertilizer marketing:

The Company is actively in discussions with the Gas suppliers to ensure that the feed stock is available to the fullest requirement. The Company plans to increase its fertilizers sales volume to 26.5 lakh MT in the financial year 2004-05 and add other grades of complexes as may be required based on the market demand.

2.6.0 MAJOR EXPANSION AND DIVERSIFICATIONS :

2.6.1 Methylamine Plant Expansion :

The methylamine expansion project at Thal has been undertaken to produce 6400 MT of methylamines annually, M/s. PDIL have been retained as consultants to carryout design, engineering and technical assistance. The estimated cost of the project is Rs.29.78 crore and is scheduled to be completed by May 2005. When the project is completed, your Company will have good opportunity in terms of exploring other derivatives.

2.6.2 Technology Upgradation of H.P. Nitric Acid Plant:

Modernisation of the front end of the H.P. Nitric Acid plant consisting of air compressor, reactor, boiler and heat exchangers has been taken up with an estimated cost of Rs.85 crore. The front end section of the plant will be converted into single stream. The replacement of front end would significantly reduce the energy consumption. The project is expected to be completed by January, 2005. The rear end of the plant consisting of absorption towers has already been modified which is yielding increased product concentration.