

27th Annual Report 2004-05

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Basildon Shredders and Filizers Limited

National Energy Conservation Award



*Shri S. Balan, CMD, RCF, receiving the award at the hands of
Hon. Dr. Manmohan Singh, Prime Minister of India*

RCF Ltd., Thal Unit won the first prize of the National Energy Conservation Award in the Fertilizer Sector for the year 2004.

Under the Energy Management Policy of the Unit, thrust has been given for continuous upgradation with eco-friendly technology, conservation of natural resources by adopting reduce, reuse and recycle methods and imparting training to all the employees to increase awareness of energy conservation.



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

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

ANNUAL REPORT 2004-05

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**Rashtriya Chemicals and Fertilizers Limited****Board of Directors**

1. **Shri S. Balan**
Chairman and Managing Director
2. **Shri U.S. Jha**
Director (Marketing)
3. **Shri M. Sundararaman**
Director (Finance)
4. **Shri H.S. Karangle**
Director (Technical)
5. **Ms. Swatantra K. Sekhon**
Executive Director
FICC, Sewa Bhavan,
New Delhi
6. **Shri B.K.Sinha**
Jt. Secretary, Department of Fertilizers,
New Delhi
[from 16.9.04]
7. **Shri K.P. Fabian**
C/45, I.F.S. Apartments, Mayur Vihar,
Phase I, Delhi 110 091
8. **Shri Ashok Misra**
Director, IIT, Powai, Mumbai - 76
9. **Dr. (Mrs.) Hemlatha Santhanam**
64-Twin Towers Lane,
Off Veer Savarkar Marg
Prabhadevi, Mumbai - 400 025.
10. **Lt. Gen. (Retd) M.S. Bhullar**
House no. 138, Section 38, Arun Vihar,
Noida - 208 303
11. **Shri Sanjay Kaushik**
E-14/22, Vasant Vihar,
New Delhi - 110 057
12. **Shri Balvinder Kumar**
Jt. Secretary, Department of Fertilizers
New Delhi
[upto 29.7.2004]

Company Secretary

Shri K.C.Prakash

BankersState Bank of India
Swastik Chamber
Chembur, Mumbai.**Statutory Auditors:**M/s. A.J.Shah & Co., Mumbai
M/s. S .Mohan & Co. Ahmedabad
M/s. Batliboi & Purohit, 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 : kcprakash@rcfltd.com
Website address: www.rcfltd.com



27th Annual Report

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

Notice

TWENTY SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY SEVENTH 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 Tuesday, the 26th day of July, 2005 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, 2005 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To fix remuneration of Auditors.
4. To appoint a Director in place of Prof. Ashok Misra, Director, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Sanjay Kaushik, Director, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint a Director in place of Lt. Gen. (Retd.) M.S.Bhullar, Director, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

7. To appoint Shri B.K.Sinha, 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 B.K.Sinha 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 : 9.5.2005
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 15.7.2005 to 26.7.2005 [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 (W), 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, 1998 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.

Members 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. Members 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.

The following Explanatory Statement sets out the material facts referred to in Item No. 7 of the Notice convening the 27th Annual General Meeting:

Item No. 7

Shri B.K.Sinha, who has been appointed by President of India as a Director on the Board of the Company w.e.f. 16.9.2004, 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 27th 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 B.K.Sinha, for the office of Director of the Company.

Shri Sinha is from Indian Administrative Service (IAS) and is presently, Joint Secretary to Government of India, Ministry of Chemicals & Fertilizers, Department of Fertilizers. Shri Sinha has varied and rich experience not only as an IAS Officer but also being on the Board of several companies. Presently, he is a director on the Boards of KRIBHCO and IFFCO.

As Shri B.K.Sinha has wide and varied experience not only as IAS officer but also in running business, your directors commend for his appointment as Director.

None of the Directors, other than Shri B.K.Sinha, is interested in the above Resolution.

By order of the Board of Directors

Date : 9.5.2005
Place : Mumbai

K. C. Prakash
Company Secretary



Rashtriya Chemicals and Fertilizers Limited

Directors' Report

To the members:

The Directors of your Company have pleasure in presenting this 27th Annual Report on the working of your Company together with the Audited Accounts for the year ended 31st March, 2005.

1.0.0 FINANCIAL PERFORMANCE:

Summary of financial performance:

Rs.Crore

Particulars	2004-2005	2003-2004
Income from operations	2774.32	2300.34
Other Income	66.12	50.75
Total Income	2840.44	2351.09
Profit before depreciation, Interest and Tax	278.25	234.71
Depreciation	69.64	69.17
Interest	(3.98)	(91.59)
Profit/ (Loss) before tax	212.59	257.13
Provision for Tax (including deferred Tax liability/ Asset)	71.63	89.34
Net Profit / (loss)	140.96	167.79
Appropriations:		
Interim Dividend	16.55	—
Final Dividend Proposed	77.24	93.79
Tax and Educational cess on Dividend	13.23	12.02
Transferred to P & L Account	—	48.07
Balance Transferred to General Reserve	33.94	13.91

1.1.0 Highlights for the year 2004-2005 :

Your Company's overall performance was excellent during the financial year 2004-05. Your Company achieved highest ever turn over of Rs.2840.44 crore as against Rs. 2351.09 crore during the previous year registering a growth of 20.82%. Your Company achieved a profit before depreciation, interest and tax of Rs. 278.25 crore as against Rs. 234.71 crore during the previous year, thus recording an increase in the operational profits by 18.55%. The operating profit maintained pace with the growth in the turnover despite increased cost of Naphtha and other input costs. The net Profit after Tax during the current year, at Rs.140.96 crore as against Rs.167.79 crore in the previous year is lower due to the exceptional interest received during the previous year.

The major contributing factors for the improved performance are:

- (a) Due to better maintenance and de-bottlenecking measures undertaken, your Company could

achieve significant reduction in energy consumption in Urea and Ammonia plants at Thal. Similarly, the energy consumption in Ammonia V plant at Trombay has also been brought down significantly.

- (b) Increased production of industrial products contributed to the improvement in profit. Higher production, sales, strict cost control measures adopted due to sustained total quality management has also resulted in lower costs. Thrust given to cost control/cost reduction and efficiency improvement has yielded good result during the year.
- (c) Better working capital and Cash management including, interest swapping, significant improvement in cash collections from dealers and from Government in respect of subsidy claims also resulted in net interest income.
- (d) The increased profit has been off-set to the extent of Rs.27.07 crore as your Company considered prudent to provide for impairment of assets in line with Accounting Standard-28. Though the future projections for Formic Acid plant at Thal and Urea plant at Trombay show full potential, your company adopted a conservative approach.

1.2.0 Dividend:

In view of the continuing good performance, your Company has recommended for maintaining the same total dividend rate of 17% as was in the previous year. The Board declared an interim dividend of 3% in February, 2005 and has recommended for payment of final dividend of 14%. The total dividend along with tax/ cess thereon works out to Rs.107.02 crore for the year 2004-05 as against Rs.105.81 crore for the year 2003-04.

1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs.140.96 crore. The dividend pay out along with Tax/cess is Rs.107.02 crore. The balance amount of Rs.33.94 crore is transferred to General Reserves.

2.0.0 MANAGEMENT DISCUSSION AND ANALYSIS:

2.1.0 OPERATIONAL RESULTS:

2.1.1 PRODUCTION:

2.1.2 Fertilizers:

Your Company produced 23.63 lakh MT of fertilizers during the year as against 22.32 lakh MT produced in the previous year and achieved overall capacity utilisation of 87.59%. The capacity utilisation of the Urea plants was to the extent of 87.88% only since the plant at Trombay was not operated. As regards complex fertilizers are concerned, the plants produced to the extent of 86.69%. In terms of nutrients, your Company produced



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9.21 lakh MT of Nitrogen (N), 0.97 lakh MT of Phosphate (P₂O₅) and 0.52 lakh MT of Potassium (K₂O) during the year as compared to 8.76 lakh MT of N, 0.91 lakh MT of P₂O₅ and 0.44 lakh MT of K₂O. The production has been affected due to the constraint in feedstock gas supply. The performances of the units are given below:

2.1.2.1 Thal Unit:

Thal unit had an excellent performance and produced a record 17.90 lakh MT of Urea during the year compared to 16.87 lakh MT produced in the previous year, recording an increase of 6%. The unit achieved a capacity utilisation of 105%. The naphtha feedstock supplement unit through which production levels are maintained by using naphtha has yielded good results. The unit produced 10.59 lakh MT of Ammonia compared to 10.15 lakh MT during previous year. The unit achieved significant improvement in energy efficiency. The energy consumption per MT of Urea produced reduced from 6.57 Gcal to 6.48 Gcal and for Ammonia produced, the consumption dropped to 9.13 Gcal from 9.20 Gcal. The unit also achieved nutrient efficiency of 97.20%(N) during the year compared to 97.09% during the previous year.

The unit was adjudged as the "Best Production Performance Fertilizer Unit in the country" by Fertilizer Association of India.

The Heavy water plant was bestowed with the "Second Best Performer of the Country Award" by DAE for the year 2004.

2.1.2.2 Trombay Unit:

The Trombay Unit produced 5.73 lakh MT of Complex fertilizers (3.50 lakh MT of Suphala 15:15:15 and 2.23 lakh MT of Suphala 20:20:0) during the year under report compared to 5.45 lakh MT (2.93 lakh MT of Suphala 15:15:15, 2.35 lakh MT of Suphala 20:20:0 and 0.17 lakh MT of Urea) during the previous year. The Trombay unit, during the year, did not produce Urea due to the constraint in the availability of feed stock gas. The unit achieved an overall capacity utilization of 57.8% compared to 54.95% during the previous year. However, in respect of the capacity utilisation of complex fertilizer plants is concerned, the unit achieved a capacity of 86.69%. In terms of Nutrient values, the unit produced 0.97 lakh MT of N during the year (previous year 0.99 lakh MT), 0.97 lakh MT P₂O₅ (previous year 0.91 lakh MT), 0.52 lakh MT K₂O (previous year 0.44 lakh MT).

2.1.3 Industrial Products:

Your Company is one of the prime chemicals manufacturer in the country producing several Industrial Chemicals at the two units. During the year, your Company produced 1.18 lakh MT of various Industrial Chemical products compared to 1.16 lakh MT during the previous year. Your Company produces, amongst others, Methanol, Methylamines and derivatives, Ammonium Nitrate, Sodium Nitrate/ Nitrite, Ammonium Bi-Carbonate, Formic Acid etc.

2.2.0 MARKETING PERFORMANCE:

2.2.1 Fertilizers:

Your Company achieved a total sales volume of 25.36 lakh MT during 2004-05 as compared to 24.15 lakh MT in the previous year, an increase of 5.01% over the previous year, in spite of drought in some of the Company's primary markets. During the year, your Company sold 17.83 lakh MT of Urea, 3.75 lakh MT of Suphala 15:15:15; 2.43 lakh MT of Suphala 20:20:0 and 1.35 lakh MT of bought out material as compared to 17.31 lakh MT, 3.23 lakh MT, 2.56 lakh MT and 1.04 lakh MT respectively during the previous year. The field stocks at the close of year have been brought down to considerably lower levels to reduce the carrying cost.

2.2.2 Industrial Products:

The Industrial Products Division maintained its good performance during the year 2004-05. The division achieved a turn over of Rs.444.24 crore as compared to Rs.387.90 crore during the previous year, recording a growth of 14.52% despite continued fierce competition both from domestic and international players. The sales of major Industrial products such as Methanol, Methylamines, Ammonium Bi-carbonate, Ammonium Nitrate etc. were maintained at higher levels.

2.2.3 Exports :

The Export turnover for the year 2004-05 was Rs 9.06 crore as against Rs.0.16 crore achieved during the previous year. During 2004-05, your Company exported: Suphala 15:15:15, Ammonium Bi Carbonate, DMAC, DMF, Formic Acid, Ammonium Sulphate etc.

2.3.0 The Fertilizer Industry:

While Urea is under the control in respect of 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 119.98 lakh MT of nitrogen and 54.20 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's major business is 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. Your Company produces low cost Urea and shall be able to face 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



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materials for manufacturing the fertilizers 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 18 to 24 months time.

Your Company's market depends upon monsoon, as its primary market is in Maharashtra, Karnataka and Andhra Pradesh. Your Company has made forays in to the far of Punjab, UP and West Bengal markets to expand base.

The new Urea Policy has been in effect from 1.4.2003. One of the features of the new Policy is the partial decontrol of the movement of Urea. With effect from Kharif 2003, 25% of Urea production was deregulated which was further increased to 50% in Rabi 2003-04. It was maintained at 50% during Kharif and Rabi 2004-05 and also for Kharif 2005. The new pricing scheme also specified a mechanism for production of Urea beyond 100% of reassessed capacity. During the year, your Company produced 17.9 lakh MT as against 17.07 lakh MT reassessed capacity. This entire additional production was covered for movement under ECA.

2.5.0 Future plans of fertilizer marketing:

Your Company is actively in discussions with the Gas suppliers to ensure that the feed stock is available to the fullest requirement. Your Company plans to increase its fertilizers sales volume to 26.5 lakh MT in the financial year 2005-06 and add other grades of complexes as may be required, based on the market demand. Your Company has entered into arrangement with other Corporates, agencies and authorities to make the products available at very close proximity of use. Your Company has also tied up with reputed Companies for distributing the products through their channels in rural markets.

2.6.0 MAJOR EXPANSION AND DIVERSIFICATIONS:

During the year, the following expansion and diversification projects were undertaken:

2.6.1 Technology up gradation of H.P. Nitric Acid Plant:

Your Company has successfully completed the project of modernisation of the front end of the H.P. Nitric Acid plant, at its Trombay unit, consisting of air compressor, reactor etc at a cost of Rs.85.81 crore in January 2005. With this modification, the plant has become highly energy efficient.

2.6.2 Technology up gradation Trombay – V Ammonia Plant:

Trombay V Ammonia Plant was commissioned in the year 1981. Considering the need to upgrade the technology to improve efficiency and reduce energy consumption, a revamp project has been undertaken at an estimated cost of Rs.249 crore. When the project is completed in April, 2006, the plant would reduce energy consumption from existing 10.8 GCal / MT to 8.8 GCal / MT, reducing the production cost significantly.

2.6.3 Methylamines Expansion:

The expansion project taken up at an estimated cost of Rs.29.78 crore to increase the production capacity of Methylamine plant at Thal to produce additional 6400 MTPA, to meet the growing demand of methylamines in domestic market and enhance Company's market share, has been progressing and is in final stages. Commercial production is likely to commence soon.

2.6.4 Additional Ammonia Urea project :

Considering the ever-growing demand for nitrogenous fertilizers, a proposal for setting up an additional Ammonia Urea complex at Thal is under the consideration of the Department of Fertilizers. The Project comprises of setting up 1x 2000 MTPD Ammonia plant and 1x 3200 MTPD Urea plant along with power generation, offsite, utilities and product handling facilities.

Feasibility study has been completed and a Techno-economic Feasibility Report has been submitted to the Government after Board's approval, for first stage PIB clearance.

Necessary infrastructure facilities for the new plants are available at Thal and locations for installation of the units have been identified and frozen as a part of pre-engineering activity.

Current estimated cost of this project is Rs.1841 Crore.

2.6.5 Argon Recovery from Purge Gas – Ammonia plant:

In view of the increased demand of Argon, a project has been conceived for recovery of Argon by adopting Cryogenic separation of tail gas generated in Hydrogen Recovery Unit of Ammonia Plants at Thal. The estimated cost of this project is Rs.70 crore. This plant will also generate pure liquid nitrogen and hydrogen.

2.7.0. RESEARCH AND DEVELOPMENT:

Your Company has taken up several Research and Development Projects in the past and continues to take up several studies so that viable developments could be commercially exploited. Some of the projects being planned are as under:

2.7.1 100% Water soluble MAP:

Laboratory study to produce 100% water soluble MAP of grade 12:61:0 by using the impure phosphoric acid generated in the Phosphoric Acid plant is being carried out and a pilot plant with a capacity of 5 kg is being set up to study the possibilities of putting up a commercial scale plant.

2.7.2 Tablet Fertilizers:

The R & D center is considering taking up development of micronutrient fertilizers in tablet form for prime agricultural crops, horticultural plants, orchids, floriculture etc and for foliar and dripping applications.



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2.7.3 Solid Micro nutrient fertilizers:

Solid Micronutrient fertilizer Microla has been developed at bench scale for soil application. This product is part of Integrated Plant Nutrient System and will be useful in conventional farming in the absence of foliar/ drip system.

2.8.0 CONSERVATION OF ENERGY:

Your Company has been continuously undertaking several modifications in the plants which have resulted in significant reduction in the energy consumption. Modifications made in the Steam Generation and Turbo generation plants as also the revamping and replacements of heater elements, pumps and installation of electronic governors have all resulted in conserving the energy by significantly bringing down consumption.

Your Company's Thal unit was awarded the First Prize of "National Energy Conservation Award - 2004" by the Ministry of Power, Government of India for being the best Company in the fertilizer sector in undertaking measures to conserve energy. Your Company was also awarded the First Prize for "Excellence in Energy Conservation and Management" for the year 2004 from Maharashtra Energy Development Agency, Government of Maharashtra.

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**.

2.9.0 ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL:

Your Company is not satisfied merely in meeting fully, all stipulated requirements laid down by the statutory authorities. The Environment Management Systems at both the units have been recertified under ISO14001. Internal Audits and management reviews are undertaken regularly to identify if any improvements are required to be undertaken. Measures taken to conserve water has yielded not only savings but also has further improved the environmental management. The state of the art Effluent Treatment plants and the Sewage Treatment plant at Trombay have ensured that the environment in and around the Units is fully protected.

Chembur Green Project launched to establish greenery in the eastern suburb, over a period of 25 years, has grown and brought back the green forestry amidst concrete jungle. The development of traffic islands, kitchen gardens, exhibitions, Rose shows and other activities in the schools and colleges have increased the environment consciousness among the citizens. Your Company continues distribution of the saplings and rendering advice to various co-op. societies and also to individuals.

In respect of Environmental Management, the Thal Unit has received the following Awards:

International Green Land Society presented the "Jawahar-

lal Nehru Memorial Gold Award" for Excellent Environment and Ecological Implementation.

Greentech Foundation awarded "Greentech Safety Gold Award" to Thal being the Best Safety, Health and Environment unit and also awarded the HWP with "Goldtech Environment Management Award".

2.10.0 PUBLICITY AND PROMOTION:

Fertilizer promotion activities continued to play a major role in increasing brand equity. Some of the activities undertaken are as under:

Soil testing Services : Your Company undertakes / conducts soil tests, free of charge, to help the farmers improve agricultural productivity. This is done by identifying problematic soil and recommending appropriate use of fertilizers. In all, over 60,000 soil samples were analysed during the year and recommendations given.

Publicity: Your Company's publicity programme focuses on enhancing brand image. Press, TV and Radio were extensively used to spread the Company's messages to its customers. Your Company also used the techniques of Loknatya in Maharashtra and Burrakatha (folklore) to promote its products through TV sponsored programmes in Andhra Pradesh. Field publicity like wall paintings, Village Indication Boards etc. were extensively used. Calendars in different regional languages were published, which had wide appeal to the customers. Your Company also participated in different State level exhibitions during the year. Literature and posters, appropriate to the themes, were distributed at different Krishimelas/crop seminars organised by your Company. 254 method/block demonstrations were conducted in various marketing territories.

2.10.1 Farmers' service:

Your Company continues to play an important role in promoting the cause of proper usage of fertilizers by the farming community to derive maximum value spent on their farm inputs. Your Company undertook crop specific development programs depending on the State/area. Your Company has established several Farmers' Services Centres for providing services such as soil sample collection, arranging farmers meeting, film shows, exhibitions and for providing general guidance in the fields of farming. Several farmers' / dealers' training programmes were conducted during the year at the Company's two Farmers Training Institutes.

2.11.0 HUMAN RESOURCES:

2.11.1 Training and Development:

The efforts to improve the most important capital of your Company namely, the Human Resources, has yielded result in the form of improved efficiency. In the



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continuously changing business environment, there is a requirement for upgrading the knowledge base. Thrust has, therefore, been given for training and development of human resources to augment the employees' managerial and professional skills. Several training and development programmes in Organisational Behaviour and Organisational Development and other related areas were organized by the Corporate Management Development Center and Training Institutes. 286 in-house programs were conducted in the Corporate Management Development Centre besides sponsoring a large numbers to external programs organised by institutes of repute. Technical, Trade, as well as related support training courses were organised for the employees for taking on new job responsibilities emanating due to Voluntary Retirement and Superannuation.

2.11.2 INDUSTRIAL RELATIONS:

Your Company maintained cordial industrial relations with all its employees. All the issues are settled through regular discussions, meetings and dialogues with the employees. Your Company has 4307 employees comprising of 1441 officers and 2866 workmen as on 31st March, 2005 compared to 4427 employees (1453 officers and 2974 workmen) as on the corresponding date of the previous year. The reduction in the strength is essentially on account of the retirements. You would be glad to know that Shri Rajendra V.Kasar, Sr. Technician was conferred with the prestigious Prime Minister's Shram Shree Award for the year 2004 for his overall excellent performance.

2.11.3 WELFARE AND SPORTS:

Your Company undertakes several welfare schemes like education, medical, transport, housing etc. according to the needs of the employees. In regards to sports, your Company is a prominent patron and sponsorer for various sports. Your company's Football, Cricket, Hockey, Kabbadi and other teams continue to show excellent performance at District, State and National levels and have brought laurels to your Company by winning Several Prizes.

2.11.4 Employment opportunity to Weaker Sections:

The guide lines in respect of reservation in Recruitment and promotion of SC/ST, OBC, Ex- Servicemen and physically handicapped persons are followed by your Company. There are 562 Scheduled Caste [SC], 264 Scheduled Tribe [ST] and 98 OBC employees on the Rolls of your Company. Apart from this, your Company has provided employment to 22 physically handicapped persons also. Welfare facilities, particularly to SC/ST employees have also been taken care of. The SC/ST students in the nearby vicinity were provided with Annual Scholarships. The SC/ST employees are provided Training in order to upkeep their skills and knowledge. All attempts are made to maintain the statutory representation of Reserved Category in Recruitment and Promotion.

2.11.5 PARTICULARS OF EMPLOYEES:

None of the employees of your Company received a remuneration in excess of reportable amount as laid down under section 217(2)[A] of the Companies Act.

2.12.0 INTERNAL CONTROL SYSTEM:

Your Company has designed a good Internal Control System to provide adequate assurance of the efficiency of operation and security of its assets. The effectiveness of the internal control systems, its adequacy and compliance with the laid down procedures is amply covered by Internal audit to assure that the accounting records are maintained as per Statutory requirements and that the financial and operational information is reliable. The Internal audit Group comprises of adequate number of financial and technical personnel.

Your Company has instituted sound Budgetary Control System. The detailed Capex and operational budgets are deliberated in detail by the Board before they are approved. Appropriate monitoring mechanism to compare the actual performance with the budgets ensures that necessary review is periodically undertaken.

2.13.0 COST AUDIT:

As per the Government's directive, your Company's Cost Records in respect of manufacture of Fertilizers and Sulphuric Acid for the year ended 31st March, 2005 have been audited by the Cost Auditors Mr. Prakash A.Sevekari, Mr. V.J.Talati and Mr. Rohit J.Vora, and no adverse findings were reported.

2.14.0 Implementation of Official Language Policy:

Your Company continued to make efforts to fully implement the provisions of Official Language Act 1963 and the policy of the Government. Publicity material and literature for employees and farmers were made available in Hindi and other regional languages. The Marketing Area office at Aurangabad received Second prize for best performance in Public Sector Group from Department of Official Languages, Ministry of Home Affairs and the Mumbai Office received third prize for best performance among PSUs (A group) from Mumbai Town Official Language Implementation Committee. A large number of employees have been trained to use "bi-lingual software" for correspondence and other official work. A newsletter "RCF Bhasha Darpan" was also brought out to enhance the use of Hindi.

3.0.0 DIRECTORS' RESPONSIBILITY STATEMENT:

The Companies Act, 1956 requires the Board of Directors of your 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.