

28<sup>th</sup>  
Annual Report 2005-06



Rashtriya Chemicals and Fertilizers Limited  
(A Government of India Undertaking)





# Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

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

## ANNUAL REPORT 2005-06

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## Rashtriya Chemicals and Fertilizers Limited

### Board of Directors

1. **Shri U.S. Jha**  
Chairman and Managing Director
2. **Shri M. Sundararaman**  
Director (Finance)
3. **Shri H.S. Karangle**  
Director (Technical)
4. **Dr. Jivtesh Singh Maini**  
Addl. Secretary and Financial Advisor  
Department of Fertilizers, New Delhi  
(w.e.f. 27.10.2005)
5. **Shri Deepak Singhal**  
Jt. Secretary, Department of Fertilizers, New Delhi  
(w.e.f. 12.7.06)
6. **Shri B.K. Sinha**  
Jt. Secretary, Department of Fertilizers, New Delhi  
(upto 12.7.06)
7. **Ms. Swatantra K. Sekhon**  
Executive Director  
FICC, Sewa Bhavan, New Delhi (upto 27.10.2005)
8. **Shri S. Balan**  
Chairman and Managing Director  
(upto 31.7.2005)
9. **Shri K.P. Fabian,**  
C/45, I.F.S. Apartments, Mayur Vihar, Phase I,  
Delhi 110 091 (upto 29.11.2005)
10. **Prof. Ashok Misra,**  
Director, IIT, Powai, Mumbai-76 (upto 29.11.2005)
11. **Dr. (Mrs.) Hemalatha Santhanam**  
64-Twin Towers Lane, Off Veer Savarkar Marg,  
Prabhadevi, Mumbai 400 025. (upto 29.11.2005)
12. **Lt. Gen. (Retd.) M.S. Bhullar**  
House no. 138, Section 38, Arun Vihar,  
Noida-208303 (upto 29.11.2005)
13. **Shri Sanjay Kaushik**  
E-14/22, Vasant Vihar, New Delhi 110 057  
(upto 29.11.2005)

#### Company Secretary

Shri K.C. Prakash

#### Bankers

State 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 : company\_secretariat@rcfltd.com

Website address: www.rcfltd.com



## 28th Annual Report

### RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

## Notice

### TWENTY EIGHTH ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the TWENTY EIGHTH 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 Friday, the 18<sup>th</sup> day of August, 2006 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 31<sup>st</sup> March, 2006 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 Shri M. Sundararaman, Director, who retires by rotation and being eligible, offers himself for reappointment.

#### SPECIAL BUSINESS:

5. To appoint Dr. Jivtesh Singh Maini, 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. Jivtesh Singh Maini, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
6. To appoint Shri Deepak Singhal, 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 Deepak Singhal, 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**

Place : Mumbai  
Date : 29<sup>th</sup> June, 2006

#### 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 7<sup>th</sup> August, 2006 to 18<sup>th</sup> August, 2006 [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 31<sup>st</sup> March, 1999 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 Items No. 5 and 6 of the Notice convening the 28<sup>th</sup> Annual General Meeting:**

#### Item No. 5

Dr. Jivtesh Singh Maini, who has been appointed by President of India as a Director on the Board of the Company, 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 28<sup>th</sup> 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. Jivtesh Singh Maini, for the office of Director of the Company.

Dr. Jivtesh Singh Maini is from Indian Administrative Service (IAS) and is presently, Addl. Secretary and Financial Adviser to Government of India, Ministry of Chemicals & Fertilizers, Department of Fertilizers. Dr. Jivtesh Singh Maini has varied and rich experience not only as an IAS Officer but also being on the Board of several companies. Presently, he is director on the Boards of Krishak Bharati Co-op. Ltd., National Fertilizers Ltd., Hindustan Antibiotics Ltd., Hindustan Organic Chemicals Ltd. and Indian Farmers Fertilizers Co. op. Ltd.

Dr. Jivtesh Singh Maini by being on the Board of Companies contributed significantly to the performance of the Companies through his business acumen. Dr. Jivtesh Singh Maini has travelled abroad extensively on business and considering his indepth 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 Dr. Jivtesh Singh Maini, is interested in the above Resolution.

#### Item No. 6

Shri Deepak Singhal, who has been appointed by President of India as a Director on the Board of the Company, 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 28<sup>th</sup> 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 Deepak Singhal, for the office of Director of the Company.

Shri Deepak Singhal is from Indian Administrative Service (IAS) and is presently, Jt. Secretary to Government of India, Ministry of Chemicals & Fertilizers, Department of Fertilizers. Shri Deepak Singhal has varied and rich experience not only as an IAS Officer but also being on the Board of several companies. Presently, he is director on the Boards of Krishak Bharati Co-op. Ltd., Fertilizer Corporation of India Ltd. and Hindustan Fertilizer Corporation Ltd.

Shri Deepak Singhal by being on the Board of Companies contributed significantly to the performance of the Companies through his business acumen. Shri Deepak Singhal has travelled abroad extensively on business and considering his indepth 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 Deepak Singhal, is interested in the above Resolution.

**By order of the Board of Directors**

**K.C. Prakash**  
**Company Secretary**

Place : Mumbai  
Date : 14<sup>th</sup> July, 2006



# Rashtriya Chemicals and Fertilizers Limited

## Directors' Report

To the members:

The Directors of your Company have pleasure in presenting this 28<sup>th</sup> Annual Report on the working of your Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2006.

### 1.0.0 FINANCIAL PERFORMANCE:

#### Summary of financial performance:

	Rs.Crore	
Particulars	2005-2006	2004-2005
Income from operations	3046.83	2774.32
Other income	85.71	66.12
<b>Total Income</b>	<b>3132.54</b>	<b>2840.44</b>
<b>Operational Profit</b>	<b>285.00</b>	<b>278.25</b>
Depreciation	68.53	69.64
Interest	0.80	(3.98)
<b>Profit/ (Loss) before tax</b>	<b>215.67</b>	<b>212.59</b>
Provision for Tax (including deferred Tax liability/ Asset)	67.71	71.63
<b>Net Profit / (loss)</b>	<b>147.96</b>	<b>140.96</b>
Appropriations:		
Interim Dividend	-	16.55
<b>Final Dividend Proposed</b>	<b>55.17</b>	<b>77.24</b>
Tax and Educational cess on Dividend	7.74	13.23
Balance Transferred to General Reserve	85.05	33.94

### 1.1.0 Highlights for the year 2005-2006 :

Your Company's overall performance was excellent during the financial year 2005-06. Your Company achieved highest ever turn over of Rs.3229.45 crore. The total income from operations was Rs.3132.54 crore as against Rs.2840.44 crore during the previous year registering a growth of 10.28%. Your Company achieved a profit before depreciation, interest and tax of Rs.285.00 crore as against Rs.278.25 crore during the previous year, thus recording an increase in the operational profits by 2.43%. 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 is Rs.147.96 crore as against Rs.140.96 crore in the previous year.

Your Company's operations were severely affected due to constraint in the gas availability. The loss suffered in the first quarter of the year was immense, because of heavy deluge on 26<sup>th</sup> July, 2005, which forced your company to take emergency shutdown of all plants. Further, the Gas Supply to your Company's plant was also curtailed by ONGC from that date till 28<sup>th</sup> August,

2005 due to fire at the Bombay High Platform. The input costs especially naphtha has also increased substantially during the year. In spite of all these set backs your Company's performance has been laudable.

### 1.2.0 Dividend:

In view of the requirement of funds for the projects taken up, your Company has recommended for payment of dividend at the rate of 10%. The total dividend along with tax/ cess thereon works out to Rs.62.91 crore for the year 2005-06, compared to Rs.107.02 crore in the previous year.

### 1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs.147.96 crore. The dividend pay out along with Tax/cess is Rs.62.91 crore. The balance amount of Rs.85.05 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 23.38 lakh MT of fertilizers during the year as against 23.63 lakh MT produced in the previous year and achieved overall capacity utilisation of 87%. The capacity utilisation of the Urea plants was to the extent of 83% only since the plant at Trombay was not operated. As regards complex fertilizers are concerned, the plants produced to the extent of 99%. In terms of nutrients, your Company produced 8.84 lakh MT of Nitrogen (N), 1.09 lakh MT of Phosphate (P<sub>2</sub>O<sub>5</sub>) and 0.65 lakh MT of Potassium (K<sub>2</sub>O) during the year as compared to 9.21 lakh MT of N, 0.97 lakh MT of P<sub>2</sub>O<sub>5</sub> and 0.52 lakh MT of K<sub>2</sub>O. 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 produced 16.85 lakh MT of Urea during the year compared to 17.90 lakh MT produced in the previous year, recording a decline of 5.9%. The unit achieved a capacity utilisation of 98.7 %. The unit produced 9.82 lakh MT of Ammonia compared to 10.59 lakh MT during previous year. The energy consumption per MT of Urea increased from 6.48 Gcal to 6.505 Gcal and for Ammonia produced, the consumption increased from 9.13 Gcal to 9.15 Gcal due to various reasons stated above.

The unit was bestowed with several awards and honours for its performance, energy conservation and safety. The unit was presented with the runner up award for "Best Overall Performance of an Operating Unit in the country"



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by Fertiliser Association of India (FAI). The unit was also awarded by FAI for excellence in safety for 2004-05.

The unit received the Green Touch Foundation Safety Gold Award for the year 2005.

The unit's Heavy water plant was bestowed with the "First prize for Industrial Safety 2005" by DAE for the year 2005.

### 2.1.2.2 Trombay Unit:

The Trombay Unit produced 6.53 lakh MT of Complex fertilizers (4.30 lakh MT of Suphala 15:15:15 and 2.23 lakh MT of Suphala 20:20:0) during the year under report compared to 5.73 lakh MT (3.50 lakh MT of Suphala 15:15:15 and 2.23 lakh MT of Suphala 20:20:0) 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 66% compared to 57.80% during the previous year. However, in respect of the capacity utilisation of complex fertilizer plants is concerned, the unit achieved a capacity of 99%. In terms of Nutrient values, the unit produced 1.09 lakh MT of N during the year (previous year 0.97 lakh MT), 1.09 lakh MT P<sub>2</sub>O<sub>5</sub> (previous year 0.97 lakh MT), 0.65 lakh MT K<sub>2</sub>O (previous year 0.52 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 1.28 lakh MT of various Industrial Chemical products compared to 1.18 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 26.20 lakh MT during 2005-06 as compared to 25.36 lakh MT in the previous year, an increase of 3% over the previous year. During the year, your Company sold 17.24 lakh MT of Urea, 4.31 lakh MT of Suphala 15:15:15; 2.27 lakh MT of Suphala 20:20:0 and 2.38 lakh MT of bought out material as compared to 17.83 lakh MT, 3.75 lakh MT, 2.43 lakh MT and 1.35 lakh MT respectively during the previous year. There was a decline in sales of urea and Suphala 20:20:0 due to production constraints. The total field stocks at the close of the year was 0.82 lakh MT which is the lowest in the history of your Company compared to 1.35 lakh MT from the previous year. The carrying cost has also been brought down significantly.

#### 2.2.2 Industrial Products:

The Industrial Products Division maintained its performance during the year 2005-06. The division

achieved a turn over of Rs.420.54 crore as compared to Rs.444.24 crore during the previous year, despite continued fierce competition both from domestic and international players.

### 2.2.3 Exports :

The Export turnover for the year 2005-2006 was Rs. 1.04 crore as against Rs.9.06 crore achieved during the previous year. During 2005-06, your Company exported Suphala 15:15:15, Suphala 20:20:0 Ammonium Bi Carbonate, DMAC, DMF, Formic Acid etc. Considering the product-line of your Company, scope for exporting and earning foreign exchange is very limited.

### 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. Phase 3 of the new Pricing Scheme is yet to be announced which is likely to be based on the recommendations of Dr. Alagh Committee. The final report of the Abhijit Sen Committee on Phosphatic Fertilizers is also awaited. 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. The installed capacity of fertilizer industry in the country is about 120 lakh MT of nitrogen and 54 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 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 available in about 12 to 18 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





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Punjab, UP and West Bengal markets to expand base and has been able to create brand image.

### 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 30 lakh MT in the financial year 2006-07 and add other grades of complexes as may be required besides increasing sale of Biola and Microla, 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. Your company is also exploring the possibility of getting into alliances with manufacturers of SSP and DAP and thus provide all kinds of fertilizer products required by a farmer.

### 2.6.0 MAJOR EXPANSION AND DIVERSIFICATIONS:

During the year, your Company has planned to undertake certain projects for its all-round growth in fertilizers & chemicals. The projects are reviewed from time to time and if required, are modified depending on the external environment, especially, the market scenario and the growth potential. Projects which have been implemented, being implemented and under active consideration are listed below:

#### 2.6.1 TROMBAY UNIT

##### (i) *Technology up-gradation Trombay – V Ammonia Plant*

Trombay V Ammonia Plant was commissioned in the year 1981. In order to meet the new standards of energy consumption, a comprehensive study was conducted through process licensor M/s. HTAS, Denmark. Based on this study, a comprehensive project has been envisaged to reduce energy consumption from 10.8 GCal/MT to 8.8 GCal / MT, which will reduce cost of production. As result of implementation of various measures proposed in the scheme, the reliability of the plant will also increase. The project has been undertaken at an estimated investment of Rs.249 Crore.

The Scheme is under advanced stage of completion and is expected to be completed soon.

##### (ii) *Technology Upgradation of Conc. Nitric acid plant*

Concentrated Nitric Acid Plant has outlived its useful productive life. Due to ageing of the plant and machinery, the plant needs continuous major maintenance. A new project has been approved by the board for modernization of this plant and will cater to the increased demand for the product CNA as well as the strong nitric (68% and 72%) acid being produced in the plant.

The scheme is under implementation and is expected to be completed soon. The estimated cost of the project is Rs.13.64 Crore.

##### (iii) *Revamp of Methanol Plant*

Some of the equipment and sections in Methanol plant have outlived their life and are occasionally limiting production due to breakdowns. A detailed study was carried out by M/s Haldor Topsoe to identify such areas to carryout the necessary replacements. Based on the study, revamp scheme has been developed for improved energy consumption and sustained increased production.

The estimated cost of the project is Rs.108.43 Crore. The project is scheduled to be completed in 24 months after Zero Date.

##### (iv) *Setting up of Rapidwall Plant:*

Your Company is envisaging putting up Calcliner and Rapidwall plants to produce Rapidwall Panels, Wall Plaster and Wall Putty using the exclusive technology from an Australian Company. This plant would be utilizing phosphogypsum, a by-product generated in Phosphoric Acid plant. The panels are prefabricated walls that can be utilised directly while constructing buildings and thus can reduce time and cost of construction and are extremely useful in mass housing schemes. The panels are environmental friendly and earthquake resistant.

The project is expected to be completed in 12 months with an estimated cost of Rs. 76 Crore.

##### (v) *Purification of Chalk in ANP Plant*

The scheme aims to purify the chalk produced as a by-product in ANP plant to have better market realization and to eliminate the disposal problem of chalk in Trombay. The process has been developed by R&D on bench scale. Market Survey for chalk is being carried out. Based on the market survey, the quality of the product shall be established and the scheme shall be implemented in ANP plant.

##### (vi) *Capacity Upgradation – Sujala (100% Water Soluble Fertilizer)*

Based on the process developed by your Company's Research and Development department, a pilot plant for manufacturing 100% water soluble NPK fertilizer of 19:19:19 grade for foliar application and drip application has been established. The product is presently being manufactured in the pilot plant. To enhance the production capacity to meet the ever increasing demand of fertilizer in fertigation, an engineering study has been conducted. Plant with production capacity of 1080 MT per Annum will be installed.

#### 2.6.2 THAL UNIT

##### (i) *Argon Recovery from Purge Gas – Ammonia Plant*

In view of increased demand of Argon, a project has



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been conceived for recovery of Argon from purge gas recovery effluent stream by adapting cryogenic separation of tail gas generated in Hydrogen Recovery Unit (HRU) of Ammonia Plants. The project is being implemented by M/s. BHPV on LSTK basis to produce 14,300 MTPA of Argon. This plant will also generate pure liquid nitrogen and hydrogen.

Estimated cost of this project is Rs.95 Crore approximately. Project is expected to be completed by April 2007.

### (ii) **Additional Ammonia Urea Project :**

Considering the growing demand of nitrogenous fertilizers, a proposal for setting up an additional ammonia urea complex at Thal is under the consideration of the Department of Fertilizers (DOF). The Project comprises of setting up 1x 2200 MTPD ammonia plant and 1x 3500 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 approval, for first stage PIB clearance.

Current estimated cost of this project is Rs.2239 Crore.

### (iii) **De-bottlenecking of Thal Plants**

RCF envisages de-bottlenecking of Thal Ammonia and Urea plants in order to produce 2 X 1750 MTPD of ammonia and 3 X 1900 MTPD of urea. The details of the scheme have been submitted to the Department of Fertilizers for in principle approval. The estimated cost for the scheme is Rs.283 Crore.

## 2.6.3 OTHER PROJECTS

### (i) **Joint Venture DAP Project, Rajasthan**

Your company is proposing to set up a JVC, for manufacturing 850 MTPD DAP, with M/s. Rajasthan State Mines & Minerals Limited (RSMML), at Rajasthan. The two partners would harness their resources. Rock Phosphate will be supplied by RSMML while your Company with its vast marketing network shall market the entire DAP produced. Pre-DFR is under preparation. Based on the economic viability, JV Partners shall decide further course of action.

Investment decision will be taken after ensuring the viability of the project, based on the DFR. Estimated cost of this project is approx. Rs.406 Crore.

### (ii) **Coal Based Chemical Complex**

A techno-economic feasibility study has been carried out for setting up a chemical complex based on production of synthesis gas from coal. Latest Coal Gasification technology will be utilized which will allow use of coal with high ash content upto 30 - 35 %. Survey of several locations around the coal belts in the country has been

carried out. On preliminary assessment the site at FCI Talcher appears to be the most suitable in view of certain infrastructure facilities available and proximity to coal mines. Investment decision will be taken based on further study.

## 2.7.0. RESEARCH AND DEVELOPMENT:

Your Company has taken up several Research and Development projects. Some of the projects taken up for commercial scale design and engineering, are as under:-

### (i) **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 carried out and a pilot plant with a capacity of 15 Kg is set up. Basic and detail engineering is in hand for putting up a commercial scale plant.

### (ii) **Tablet Fertilizers:**

The R & D center has developed micro nutrient fertilizers in tablet form for prime agriculture crops, horticultural plants, orchids, floriculture etc. Field trials of the product are being carried out on different crops with the assistance of different agricultural universities.

### (iii) **Continuous process for chalk benefaction in ANP plant :**

Precipitated chalk is a bye product in impure form in Ammonium Nitro Phosphate Plant. Chemical process has been developed for continuous operation of 30 MTPD production of purified precipitated Calcium Carbonate. Process scheme with detail engineering is under finalisation.

### (iv) **Micro Nutrient deficiency testing Laboratory:**

Micro Nutrient deficiency is a fast spreading phenomenon in Indian agricultural soil. To assist the farming community, your Company has developed a latest facility for analyzing Zinc, Copper, Iron, Manganese, Boron and Molybdenum. These are the most versatile micro nutrient required in the soil for healthy and productive crops.

### (v) **100% Water soluble Fertiliser:**

Subsequent to establishing 19:19:19 Product in this category, R&D center is working for formulating other grades of 100% water soluble fertilizers. This shall be increasing company's market share in this segment of fertilizers.

## 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 different plants by installing High efficient energy motors, VFD for cooling towers,





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replacement of pumps, interconnection process air heater and instalment air header by running low capacity compressor, stoppage of process water pump, new efficient air drying unit etc have resulted in conserving the energy by significantly bringing down consumption. Continuous efforts viz. surveys, studies are regularly carried out by your Company to meet the requirement of achieving energy efficient plant operation.

Your Company's Thal unit was awarded the second Prize of "National Energy Conservation Award - 2005" for Fertilizer section.

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 26 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/HWP has received "Greentech Safety Gold Award" from Greentech Foundation being the Best Safety, Health and Environment unit.

### 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. A special agricultural exhibition was organised in Yavatmal, Vidarbha which was inaugurated by Hon. Union Minister for Fertilizers and Chemicals, Shri Ram Vilas Paswan. Your Company was awarded the prestigious first prize for its stall at the Agriculture and Cattle Exhibition at Latur. The exhibition was inaugurated by Shri Sharad Pawar, the Hon'ble Union Minister for Agriculture. 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.

Your Company's Marketing Strategy includes fertilizer promotion, farmers' education and rural development programmes. Its aim is to increase productivity through intensive and integrated extension activities in the field of Agriculture, recommending balanced use of fertilizers and simultaneously to extend the services as promoter, activator and organiser of various socio-economic and educational activities to improve the quality of life of various rural masses particularly small, marginal and SC/ST families.

#### 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 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'



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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. Several 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 relation with all its employees. All the issues are settled through regular discussions, meetings and dialogues with the employees. Your Company has 4197 employees comprising of 1396 officers and 2801 workmen as on 31<sup>st</sup> March, 2006 compared to 4307 employees (1441 officers and 2866 workmen) as on the corresponding date of the previous year. The reduction in the strength is essentially on account of the retirements.

S/Shri Anil D.Kapadne, Yogiraj P. Bagul, Ratneshkumar R.Gupta and Gopal B. Deulkar employees of your company have been conferred the prestigious Gunavant Kamgar Kalyan Puraskar by the Government of Maharashtra.

### 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 Welfare/Employment Opportunity to Weaker Sections:

The guidelines 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 548 Scheduled Caste [SC], 264 Scheduled Tribe [ST] and 99 OBC employees on the Rolls of your Company. 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.

Your Company is committed to the welfare of the backward class in general and SC/ST employees in particular. The SC/

ST employees Association which interacts with the Management regularly through meetings to address their grievances, if any, and providing guidance for development. During the year several welfare activities were undertaken in this respect, some of which are as under:

Medical Camp was organised at Chaitya Bhoomi, Dadar on the occasion of 'Mahaparinirvan Day' by providing the services of Doctors, supply of medicines and arranging transport.

Financial assistance was provided for celebration of Dr. Babasaheb Ambedkar Jayanti.

Your Company provided free lodging and boarding facility, uniform, textbooks, stationary and other equipments to SC/ST students at both the Units of the Company. Scholarships were given to meritorious students of SC/ST community in the nearby villages of Thal.

Your Company has a scheme of SC/ST students Hostel at Trombay where SC/ST students adopted by the Company are placed and all their expenses are borne by the Company. An opportunity is given to the students to opt for higher studies or Apprenticeship Training in the Company.

Company's Thal unit provides various amenities like water, road for the nearby villages e.g. Thai, Navajo, Boris, Gunnies etc. where the majority of the population belongs to the SC/ST. This has been mainly provided for the upliftment of the SC/ST people. The facility continued during the year.

The following activities were also taken up in respect of SC/ST farmers:

- (i) During the year, training programme were conducted for farmers at Company's Institutes at Nagpur and Thal. Large number of SC/ST farmers have undergone training in these programmes.
- (ii) Your Company's Marketing Department also gives special consideration in enrolment to the dealers belonging to SC/ST category. A large number of dealers belonging to SC/ST have already been appointed.

### 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.