

# 29th Annual Report 2006-07



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



## Rashtriya Chemicals and Fertilizers Limited

### FINANCIAL HIGH LIGHTS AT A GLANCE

(Rs. Crore)

Sr No	PARTICULARS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
1	<b>Turnover</b>	3644.60	3187.80	2895.90	2396.64	2135.98	2099.45	2137.93	2374.41	2090.71	1780.13
2	<b>Profit before Interest, Depreciation and Tax (EBIDTA)</b>	363.66	284.39	303.99	233.38	12.10	169.46	197.20	158.78	268.93	321.16
3	Depreciation	75.42	68.53	96.71	69.17	68.25	76.88	59.10	46.90	39.10	31.91
4	Interest [Net ]	46.93	0.80	(3.98)	(91.59)	40.54	58.37	72.57	72.14	42.50	31.21
5	Prior year Adj. - Expenses / (Income)	0.07	(0.61)	(0.41)	(0.85)	(2.97)	(18.40)	(3.63)	(3.34)	0.69	(0.82)
6	<b>Profit / ( Loss ) Before Tax (PBT)</b>	241.24	215.67	211.67	256.65	(93.72)	52.61	69.16	43.08	186.64	258.86
7	Tax Provision ( Net of Adj.)	92.50	67.71	70.71	88.86	(45.65)	28.40	4.19	8.00	81.00	69.49
8	<b>Profit / (Loss ) After Tax (PAT)</b>	148.74	147.96	140.96	167.79	(48.07)	24.21	64.97	35.08	105.64	189.37
9	<b>Dividend</b>										
	<b>Rate %</b>	10.00	10.00	17.00	17.00	0.00	2.00	4.00	2.00	6.00	7.00
	<b>Amount :</b>	64.55	62.91	107.02	105.81	0.00	11.03	24.33	13.46	36.75	42.48
	<b>Dividend Payout Ratio %</b>	<b>43.39</b>	<b>42.52</b>	<b>75.92</b>	<b>63.06</b>	<b>0.00</b>	<b>45.58</b>	<b>37.45</b>	<b>38.37</b>	<b>34.79</b>	<b>22.43</b>
10	Working Capital	1434.06	884.39	849.81	734.48	983.56	953.99	980.62	1056.12	823.08	820.44
11	Capital Employed	2449.97	1756.80	1738.87	1609.53	1901.93	1888.89	1867.28	1926.20	1512.02	1397.17
12	Net Worth	1614.29	1505.47	1424.68	1413.21	1297.80	1389.40	1366.77	1326.11	1304.50	1235.51
13	<b>RATIOS</b>										
	Current Ratio [CA :1]	3.28	2.29	2.78	2.86	4.54	3.90	3.80	3.82	2.81	2.63
	Debt Equity Ratio [Debts :1]	0.59	0.29	0.26	0.15	0.47	0.38	0.44	0.52	0.30	0.27
	EBIDTA to Capital Employed (%)	14.84	16.19	17.48	14.50	0.64	8.97	10.56	8.24	17.79	22.99
	PBT to Capital Employed (%)	9.85	12.28	12.17	15.95	(4.93)	2.79	3.70	2.24	12.34	18.53
	PAT to Capital Employed (%)	6.07	8.42	8.11	10.42	(2.53)	1.28	3.48	1.82	6.99	13.55
	PBT to Net Worth (%)	14.94	14.33	14.86	18.16	(7.22)	3.79	5.06	3.25	14.31	20.95
	PAT to Net Worth (%)	9.21	9.83	9.89	11.87	(3.70)	1.74	4.75	2.65	8.10	15.33
	PAT to Equity (%)	26.96	26.82	25.55	30.41	(8.71)	4.39	11.78	6.36	19.15	34.33
	PBT to Turnover (%)	6.62	6.77	7.31	10.71	(4.39)	2.51	3.23	1.81	8.93	14.54
	PAT to Turnover (%)	4.08	4.64	4.87	7.00	(2.25)	1.15	3.04	1.48	5.05	10.64
	Earning Per Share Before Tax (Rs.)	4.37	3.91	3.84	4.65	(1.70)	0.95	1.25	0.78	3.38	4.69
	Earning Per Share After Tax (Rs.)	2.70	2.68	2.56	3.04	(0.87)	0.44	1.18	0.64	1.91	3.43



# Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

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

## ANNUAL REPORT 2006-07

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## Rashtriya Chemicals and Fertilizers Limited

### Board of Directors

#### Shri U.S.Jha

Chairman and Managing Director

#### Shri M. Sundararaman

Director (Finance)

#### Shri H.S. Karangle

Director (Technical)

#### Shri J.Kohareswaran

Director (Marketing)  
(from 28.9.2006)

#### Dr. Jivtesh Singh Maini

Addl. Secretary and Financial Advisor  
Department of Fertilizers, New Delhi

#### Shri Deepak Singhal

Jt. Secretary, Department of Fertilizers, New Delhi

#### Shri I.C.Srivastava, [IAS Retd]

4 ka- 26, Jawahar Nagar  
Jaipur- 302004  
(from 5.3.2007)

#### Prof. Ashok Misra

Director, IIT, Powai, Mumbai  
(from 5.3.2007)

#### Shri Anil Agrawal

B-139, Kalkaji  
New Delhi- 110 019  
(from 5.3.2007)

#### Shri B.K.Sinha

Joint Secretary  
Department of Fertilizers, New Delhi  
(upto 12.7.2006)

#### 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. 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 :

Investorcommunications@rcfltd.com

#### Website address:

www.rcfltd.com

#### Venue for AGM :

"Yogi Sabhagruh",  
Behind Swaminarayan Mandir,  
Dadar (E), Mumbai- 400 014





## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

### Notice TWENTY NINTH ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the TWENTY NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED will be held at "Yogi Sabhagruh", Behind Swaminarayan Mandir, Near Railway Station, Dadar (E), Mumbai- 400 014 on Friday, the 6<sup>th</sup> day of July, 2007 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, 2007 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 H.S.Karangle who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Dr. J.S.Maini, Director, who retires by rotation and being eligible, offers himself for reappointment.

#### SPECIAL BUSINESS:

6. To appoint Shri J.Kohareswaran, 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 J.Kohareswaran, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
7. To appoint Dr.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, Dr. Ashok Misra, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
8. To appoint Shri Anil Agrawal, 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 Anil Agrawal, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
9. To appoint Shri I.C.Srivastava, 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 I.C.Srivastava, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
10. To increase the borrowing limits and to consider and if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution.  
"RESOLVED THAT pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act 1956, and subject to approval, if any, required, of the President of India and/ or Central Government, the Board of Directors of the Company be and is hereby authorised to borrow from time to time moneys [apart from the temporary borrowings from the Company's Bankers in the Ordinary Course of Business] for the purpose of the Company in excess of the aggregate of its paid up capital and free reserves [that is to say, the reserves that are not set aside for any specific purpose] provided that the total amounts of such borrowings together with amounts already borrowed and outstanding, shall not exceed Rs.7000 Crore."  
"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution".

By order of the Board of Directors  
K.C. Prakash  
Company Secretary

Date : 29/05/2007  
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 25.6.2007 to 6.7.2007 [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 or through e-mail investorcommunications@rcfild.com 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 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 or to the 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. 6, 7, 8, 9 and 10 of the Notice convening the 29<sup>th</sup> Annual General Meeting:

#### Item No. 6

Shri J.Kohareswaran, aged 57 years, who has been appointed by President of India as a whole time Director on the Board of the Company w.e.f. 28.9.2006, 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 29<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 J.Kohareswaran, for the office of Director of the Company.

Shri J.Kohareswaran, was appointed, as Director (Marketing) w.e.f. 28.9.2006. Before taking over the charge of Director (M), Shri Kohareswaran was Executive Director (Marketing). He worked in various capacities in Finance department in both units of the Company and also in the Audit department. He is a Fellow Member of The Institute of Cost & Works Accountants of India and also Associate Member of Institute of Management Association. He was awarded with 3<sup>rd</sup> Indira Gandhi National Excellent Manager Award for excellence in Central Public Undertaking.

Considering, Shri J.Kohareswaran's indepth experience in finance, audit, marketing and general management, your Directors commend for his appointment as Director.

None of the Directors, other than Shri J.Kohareswaran, is interested in the above Resolution.



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### Item No. 7

Dr. Ashok Misra, aged 60 years, who has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, 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 29<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. Ashok Misra, for the office of Director of the Company.

Dr. Misra is a highly qualified Technocrate. He is B.Tech [Chem Engg] from IIT Kanpur, MS in Chemical Engineering from Tufts University and Ph.D in Polymer Science & Engineering from University of Massachusetts. After working in Monsanto for three years, he joined IIT Delhi in 1977 where he served as the head of the Centre for Polymer Science & Engineering during 1991-94 and as Dean, Alumni Affairs and International Programmes during 1997-2000. Presently, he is the Director, IIT Mumbai. Dr. Misra is a Fellow of Indian National Academy of Engineering, National Academy of Science India (NASI), Indian Institute of Chemical Engineers, Member of the International Academic Advisory panel of the Government of Singapore and various other institutions. Dr. Misra has varied and rich experience not only as a Technocrat but also being on the Board of several Companies. He was a director on the Board of RCF from 30.11.02 to 29.11.05. Presently he is director on the Board of M/s. National Thermal Power Corporation Limited (NTPC) and M/s. Reliance Industries Limited.

Dr. Misra by being on the Board of Companies contributed significantly to the performance of the Companies through his business acumen. Considering, his indepth experience not only as Technocrat but also running business, your Directors commend for his appointment as Director.

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

### Item No. 8

Shri Anil Agrawal, aged 50 years, who has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, 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 29<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 Anil Agrawal, for the office of Director of the Company.

Shri Anil Agrawal is M.Com, FCA, ACS and several other qualifications. He is engaged in practice as Chartered Accountant since 1981 and possesses varied experience in the fields of Account, Audit, Taxation, Financing and Project preparation, Management, Company Secretarial work etc of various Companies.

Shri Agrawal is presently on the Board of Directors of M/s. MECON Ltd. and partner in M/s. Agrawal Anil & Co., Delhi. Considering his rich and varied indepth experience, your Directors commend for his appointment as Director.

None of the Directors, other than Shri Anil Agrawal is interested in the above Resolution.

### Item No. 9

Shri I.C. Srivastava, aged 64 years, has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, 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 29<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 I.C. Srivastava, for the office of Director of the Company.

Shri Srivastava, is a retired IAS officer and was CMD of Rajasthan State Mines and Minerals Ltd., Jaipur. He is a governance specialist with a special focus on policy formulation negotiation and implementation. He has an international perspective of issues

pertaining to governance especially in a developing context having pursued a post graduate Diploma in Development Administration from the University of Manchester, U.K. and attended international conferences on Sustainable Development and Irrigation & Drainage. He has also been involved in the capacity of a Team Leader in formulating the Child Policy in Rajasthan for UNICEF. He has acquired institutional development and reform skills having undergone training at Indian Institute of Public Administration and National Academy of Administration on Advance Management and Governance. He has supported training and multi-stakeholder consultations for some of the largest campaigns in governance including holding decadal Census and five yearly elections.

Shri Srivastava has varied and rich experience not only as an IAS, but also being on the Boards of other Companies. Presently, Mr. Srivastava is director on the Boards of M/s. Paradeep Phosphates Limited and M/s. Maharashtra Polybutenes Limited.

Considering his indepth experience not only as an officer of IAS, but also in running business, your Directors commend for his appointment as Director.

None of the Directors, other than Shri I.C. Srivastava is interested in the above Resolution.

### Item No. 10

The Company has plans to take up several projects involving large investments which is expected to be met out of internal generation, borrowing and through other means of funding. Some of the major projects that are being considered are:

- (a) Thal III expansion project : A brown field project to install 1x2200 MTPD Urea plant along with required infrastructure for manufacturing ammonia and urea. The project is expected to be at a cost of Rs. 2700 crore and make the Company a foremost producer of fertilizers in the Country.
- (b) Take over of closed units manufacturing fertilizers : Considering that the Country has struck gas finds, Government is considering to revive several manufacturing units, which have been closed down. The available infrastructure and the support the Government may provide for the revival, makes some of the units very attractive and the Company would like to take advantage. The Project is expected to cost Rs.6000 crore.
- (c) Debottlenecking Project at Thal Ammonia and Urea plants to produce 2x1750 MTPD Ammonia and 3x1900 MTPD Urea would cost Rs.450 crore. The Project would immensely improve efficiency, reduce cost and increase production.
- (d) Opportunities are available for Indian Companies to acquire mining, manufacturing and distribution facilities of products related to fertilizer Industry such as Rock Phosphate, MOP, DAP etc. Preliminary exploratory visits were made to Countries like Senegal, Egypt, Middle East etc alongwith Government delegations and vast opportunities exists. Estimated investment would be about Rs. 450 crore. Investments made would help the Company by getting regular supply of raw materials/ finished products.
- (e) Several projects within the Country are on anvil such as DAP Joint Venture with Rajasthan State Mines and Minerals Ltd., ANP modification project at Trombay, Methanol revamp, Rapidwall project and other revamps, R&R and smaller projects which are important for the operations of the Company.

It is estimated that the total investment in all the Projects would be about Rs.10,000 crore, spread over the XI plan. The Company expects to meet the projects largely with Internal generations, debt apart from other modes of generating funds as may be appropriate. The Company expects to meet through Debt equity of 2:1 and hence may have to borrow upto Rs.7,000 crore.

In order that the Company takes the opportunity and expand rapidly to become foremost leader in the Indian fertilizers Industry, such large investment is required and would give benefits to the members in future. None of the Directors of the Company is interested in the above resolution.

Date : 29/05/2007  
Place: Mumbai

By order of the Board of Directors  
K.C. Prakash  
Company Secretary



## Directors' Report

To the members:

The Directors of your Company have pleasure in presenting this 29<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, 2007.

### 1.0.0 FINANCIAL PERFORMANCE:

#### Summary of financial performance:

Rs.Crore

Particulars	2006-2007	2005-2006
Sales including Subsidy	3559.62	3102.09
Other Income	84.98	85.71
<b>Total Income</b>	<b>3644.60</b>	<b>3187.80</b>
<b>Cost of Sales</b>	<b>3280.94</b>	<b>2903.41</b>
<b>Operational Profit</b>	<b>363.66</b>	<b>284.39</b>
Depreciation	75.42	68.53
Interest (Net)	46.93	0.80
Prior year adjustment	0.07	(0.61)
<b>Profit/ (Loss) before tax</b>	<b>241.24</b>	<b>215.67</b>
Provision for Tax (including deferred Tax liability/ Asset)	92.50	67.71
<b>Net Profit / (loss)</b>	<b>148.74</b>	<b>147.96</b>
<b>Appropriations:</b>		
<b>Dividend Proposed @10%</b>	<b>55.17</b>	<b>55.17</b>
<b>Tax and Educational cess on Dividend</b>	<b>9.38</b>	<b>7.74</b>
<b>Balance Transferred to General Reserve</b>	<b>84.19</b>	<b>85.05</b>

#### 1.1.0 Highlights for the year 2006-2007 :

Your Company's overall performance was highly satisfactory during the financial year 2006-07. Your Company achieved highest ever turn over of Rs. 3559.62 crore. The total income from operations was Rs.3644.60 crore as against Rs. 3187.80 crore during the previous year registering a growth of 14.33%. Your Company achieved a Gross profit of Rs. 363.66 crore as against Rs. 284.39 crore during the previous year, thus recording an increase in the operational profits by 27.87 %. The growth in operating profit exceeded that of the turnover. The net Profit before Tax at Rs.241.24 crore as against Rs. 215.67 crore registered an increase of 11.86%

However, the Profit after Tax during the current year, is marginally higher Rs. 148.74 crore as against Rs.147.96 crore in the previous years. The net Interest cost during the year has considerably increased to Rs.46.93 crore compared to Rs.0.80 crore during the previous year since the Company had to borrow, for its working capital, largely due to the delayed subsidy payments by Government.

Your Company's operations remained highly satisfactory despite being affected due to constraint in the availability of feedstock gas and increased input costs. Your Company's ANP plant was shut down for substantial part of the year due to the accident in the prilling tower. The input costs especially Naphtha has also increased substantially during the year. Inspite of all these setbacks your Company's performance has been laudable.

#### 1.2.0 Dividend:

Net Profit After Tax for the year under report is Rs.148.74 crore. Your Company has lined up a number of capex programmes which will entail substantial expenditure and in order to fund these programmes it is necessary to plough back its profits. In view of this, Your Company proposes to maintain the dividend rate at 10%. The total outgo, including dividend distribution tax and education cess works out to Rs.64.55 crore.

#### 1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs 148.74 crore. The dividend payout along with Tax/cess is Rs. 64.55 crore. The balance amount of Rs.84.19 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 23.71 lakh MT of fertilizers during the year as against 23.38 lakh MT produced in the previous year and achieved overall capacity utilisation of 88% as against 87% during the previous year. The capacity utilisation of the Urea plants was to the extent of 91% only since the plant at Trombay was not operated. As regards complex fertilizers are concerned, the plants produced to the extent of 53%. In terms of nutrients, your Company produced 9.32 lakh MT of Nitrogen (N), 0.79 lakh MT of Phosphate (P<sub>2</sub>O<sub>5</sub>) and 0.72 lakh MT of Potassium (K<sub>2</sub>O) during the year as compared to





## Rashtriya Chemicals and Fertilizers Limited

8.84 lakh MT of N, 1.09 lakh MT of P<sub>2</sub>O<sub>5</sub> and 0.65 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 18.53 lakh MT of Urea during the year compared to 16.85 lakh MT produced in the previous year, recording an increase of 10%. The unit achieved a capacity utilisation of 108.57% as compared to 98.70% during the previous year. This is the highest ever annual production. The unit produced 10.79 lakh MT of Ammonia compared to 9.82 lakh MT during previous year. The energy consumption per MT of Urea was 6.51 Gcal and for Ammonia produced, the consumption increased from 9.15 Gcal to 9.22 Gcal. In terms of nutrients the unit produced 8.52 lakh MT of N during the year compared to 7.75 lakh MT during the previous year.

The unit was bestowed with several awards and honours for its performance, energy conservation and safety such as:

Golden Peacock Award 2006 for Environment Management in Fertilizer Sector awarded by World Environment Foundation New Delhi; First Prize for Energy Conservation Award at state level for the year 2005 from MEDA, Govt. of Maharashtra; National Safety Award for 2005 from Ministry of Labour; Green Tech Environment Excellent Award for the year 2006; 'National award for Prevention of Pollution' from Ministry of Environment & Forests for 2004-05; Award from National safety council for Maharashtra chapter for 'Lowest accident frequency rate for the year 2005'; Award from National Safety Council for 'Longest accident free period for the year 2005'; 'Best Plant Performance' 'Runner up Award' for the year 2006 was received by Heavy Water plant.

### 2.1.2.2 Trombay Unit:

The Trombay Unit produced 5.18 lakh MT of Complex fertilizers (4.83 lakh MT of Suphala 15:15:15 and 0.35 lakh MT of Suphala 20:20:0) during the year under report compared to 6.53 lakh MT (4.30 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 suffered a major set back due to the accident in ANP Plant, which resulted in stoppage of production of ANP. Presently the plant is being re-engineered and major work is being undertaken. The unit achieved an overall capacity utilization of 52% compared to 66% during the previous year. In terms of Nutrient values, the unit

produced 0.79 lakh MT of N during the year (previous year 1.09 lakh MT), 0.79 lakh MT P<sub>2</sub>O<sub>5</sub> (previous year 1.09 lakh MT), and 0.72 lakh MT K<sub>2</sub>O (previous year 0.65 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 1.35 lakh MT of various Industrial Chemical products compared to 1.28 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 Fertilizer Division:

Your Company achieved a total sales volume of 25.57 lakh MT during 2006-07 as compared to 26.20 lakh MT in the previous year. Your Company sold 17.76 lakh MT of Urea, 4.59 lakh MT of Suphala 15:15:15, 0.54 lakh MT of Suphala 20:20:0 and 2.68 lakh MT of bought out products such as DAP, MOP, SSP etc. compared to 17.24 lakh MT, 4.31 lakh MT, 2.27 lakh MT and 2.38 lakh MT respectively during the previous year. The marginal fall in overall quantity sold during the year is due to shutdown of Suphala 20:20:0 plant. Your Company has achieved highest sales in value added products such as Biola (107 MT), Microla (41KL) and Sujala (1156 MT).

#### 2.2.2 Industrial Products Division:

The Industrial Products Division achieved a record sale of Rs.561.64 crore during the year 2006-07 as compared to Rs.420.54 crore during the previous year, achieving a very high growth rate of 33.6% despite continued fierce competition both from domestic and international players.

#### 2.2.3 Exports :

The Export turnover for the year 2006-2007 was Rs. 0.67 crore as against Rs.1.04 crore achieved during the previous year. During 2006-07, your Company exported Suphala 15:15:15 and other products. Considering the products line of your Company, scope for exporting and earning foreign exchange is very limited. During the year, your Company offered its manpower services to clients abroad and earned Rs.0.32 crore in addition to the earning through export of goods.

#### 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. During the year under reference, Government of India notified stage-III of New Pricing Scheme (NPS) for Urea applicable from 1<sup>st</sup> October, 2006. The scheme is applicable upto 31<sup>st</sup> March, 2010 and the Government has constituted a Committee under the chairmanship of Secretary (Petroleum & natural gas) to oversee the aspects of supply, connectivity and pricing of gas to fertilizer units.

The main features of NPS stage-III are as follows:

Decontrolled the distribution of urea up to 50% of reassessed capacity. States would be required to allocate the entire quantity of planned Urea arrivals i.e. both under ECA and Non-ECA in a district-wise, supplier-wise and month-wise manner. Freight subsidy to the units would be reimbursed based on conformity to planned movement up to the district level for both ECA as well as Non-ECA quantity.

Primary freight will be reimbursed based on the actual leads for Rail movement. For the Road component of the primary freight, road leads will be as per actual distance to the primary godowns and will be suitably escalated based on the composite road transport index. One time enhancement of 33% would be granted on the road component of primary freight.

Units currently not in operation such as Duncans, RCF Trombay and FACT will be allowed to resume production based on natural gas / LNG / CBM / Coal gas. Upon resumption, the base concession rate of these units will be the Stage-III concession rate of the group to which they belong, or their own concession rate updated till 31/3/2003, whichever is lower. No outlier benefit would be available to any unit.

The concept of de-bottlenecking has been abolished. No permission will be required from the Government for production beyond 100% of reassessed Urea capacity of the Unit. Government would be making merit order procurement i.e. the unit giving the cheapest Urea will be given first permission for production over 100%. Production between 100% and 110%, if required by Government, will be offered an incentive of 35% of gain. The total amount paid to the unit will not exceed the unit's applicable concession rate. Units increasing production beyond 110% will be compensated at their own concession rate or the IPP whichever is lower.

The scheme envisages reduction in CRC of Rs. 50 PMT for pre 92 naphtha and FO/LSHS units, and reduction of Rs. 75 PMT from other units. Capacity

utilization of the units is considered at 93% for pre-92 naphtha and FO/LSHS units and 98% for all others. Savings in energy to be compensated at weighted average rate of energy. Cost of bags to be allowed based on 3 years moving weighted average for each year of NPS III.

Generally the policy is favourable to your Thal unit. The implementation of the policy will lead to a positive impact on the profitability of Thal unit. However, the policy is not favourable to the Trombay unit since the unit will be considered under 'pre-92 gas group' concession. The outlier benefit which was available to Trombay unit would no longer be available. Your Company has represented to the Government to consider a separate policy for Trombay unit, since it is a producer of low cost urea.

#### 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 months time.

Your Company's market depends upon monsoon, as its primary market is in Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh. Your Company has increased its market presentation in other markets as well.

#### 2.6.0 Risk Management:

Your Company has put in place Risk Management System with the objective to evolve a strategy to have a balanced approach towards business plan and to mitigate the associated risks through better management practices, resulting in greater degree of confidence amongst various stakeholders and adhering to good Corporate Governance practice.

The Risk Management practice covers:

##### (i) Assessment :

Assessment of each of the risks such as operational,



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Environmental, financial, Human Resource, legal, Information etc as to the degree of impact financially and also the likely effect on the assets, facilities and third parties.

(ii) **Risk Control:**

In order to mitigate losses arising out of perceived risks, the procedures being adopted to contain the risks, as also the practices adopted during emergencies, including the communication system and mode of disseminating information are periodically reviewed and updated to minimise the impact on the Company.

(iii) **Reporting:**

The detailed reporting structure, periodicity of reviews and reporting on revisions required in the policy/ procedures etc., form part of the policy.

### 2.5.0 Future plans of fertilizer marketing:

Your Company has ambitious plans to increase its turnover from 25.57 lakh MT in 2006-07 to 31 lakh MT. In addition, your Company also intends to market 130 MT of biofertilizers, 80 KI of Microla (liquid micronutrients) and about 2500 MTs of Sujala (including drip and foliar grade).

Your Company is also exploring the possibility of getting into alliance with other organisations for marketing of other fertilizers such as Single Super Phosphate (SSP) and Ammonium Sulphate (AS). This would add to your Company's product line and allows the Customers to have better choice. This is expected to establish your Company as a one stop supplier of fertilizers.

### 2.7.0 MAJOR EXPANSION AND DIVERSIFICATIONS:

During the year, your Company has taken up several projects of importance to improve energy efficiency, increase production and reduce cost. The projects are constantly reviewed and monitored to ensure timely completion. Projects which have been implemented, being implemented and under active consideration are listed below:

#### 2.7.1 Projects in Progress:

##### 1. Technology Upgradation of Trombay V Ammonia Plant:

In order to meet the new standards of energy consumption, project has been undertaken at an estimated cost of Rs.249 crore to reduce energy consumption from existing level of 10.8 Gcal/MT to 8.8 Gcal/MT. This would reduce the cost of production. The project has been completed and commissioned in June 2006. The synthesis gas compressor, has been hooked up in June 2007

during annual turnaround. During the year, the plant has achieved the best ever monthly energy consumption of 9.88 Gcal/MT and an annual average of 10.40 Gcal/MT. With the hookup of synthesis gas compressor the plants reliability will substantially increase and also further reduce energy consumption.

##### 2. Technology Up-gradation of Concentrated Nitric Acid Plant :

Concentrated Nitric Acid Plant, at Trombay set up in 1967, has outlived its productive life and needs constant maintenance apart from disruption in its operation. A project has been taken up and successfully commissioned in February, 2007 to set up a new plant to produce 100 MTPD of CNA. This will cater to the increased demand for the product itself as well as other variations such as DNA 68% and DNA 72%.

##### 3. Argon Recovery Plant :

A project has been taken up at an estimated cost of Rs.95 crore to recover Argon from the purge gas generated in Hydrogen Recovery unit. The plant when commissioned would produce 14300 MTPA of liquid Argon which has wide range of Industrial use. The plant is expected to be in operation from October, 2007.

##### 4. Revamp of Methanol Plant:

A Project to revamp the Methanol plant at a cost of Rs.108.43 crore has been undertaken for improving efficiency in energy consumption and for enhancing the plant life by replacing necessary equipments. The project is scheduled to be completed by April 2008.

##### 5. Capacity Upgradation – Sujala Plant

Based on the process developed by the R & D department of your Company, a new Plant of 1080 MTPA (100% water soluble Fertilizer 19:19:19 grade) capacity with all modern material handling and bagging machines to manufacture 100% water soluble fertilizers of different grades has been commissioned in December 2006. Your Company has thus been provided with one more product to supplement the major fertilizers.

#### 2.7.2 New Projects :

##### 1. Setting up of Rapidwall Plant :

Your Company is setting up a plant, at an estimated cost of Rs.70 crore at Trombay, for producing Rapidwall Panels, Wall Plaster and Wall Putty using the exclusive technology from an Australian Company and has signed an Agreement with M/s. Rapid Building Systems Pty Ltd. The plant would be utilizing phosphogypsum, a waste product