

31st Annual Report 2008-09



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)



Rashtriya Chemicals and Fertilizers Limited

FINANCIAL HIGHLIGHTS AT A GLANCE

(Rs. in Crores)

S. No.	PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
1	Turnover (Sales + Subsidy + Other Income)	8538.43	5325.06	3644.60	3187.80	2895.90	2396.64	2135.98	2099.45	2137.93	2374.41
2	Profit before Interest, Depreciation and Tax (EBIDTA)	487.22	384.31	363.66	284.39	303.99	233.38	12.10	169.46	197.20	158.78
3	Depreciation	86.58	86.96	75.42	68.53	96.71	69.17	68.25	76.88	59.10	46.90
4	Interest [Net]	74.93	59.32	46.93	0.80	(3.98)	(91.59)	40.54	58.37	72.57	72.14
5	Prior year Adj. - Expenses / (Income)	0.01	(4.04)	0.07	(0.61)	(0.41)	(0.85)	(2.97)	(18.40)	(3.63)	(3.34)
6	Profit / (Loss) Before Tax	325.70	242.07	241.24	215.67	211.67	256.65	(93.72)	52.61	69.16	43.08
7	Tax Provision (Net of Adj.)	114.12	83.92	92.50	67.71	70.71	88.86	(45.65)	28.40	4.19	8.00
8	Profit / (Loss) After Tax	211.58	158.15	148.74	147.96	140.96	167.79	(48.07)	24.21	64.97	35.08
9	Dividend										
	Rate %	12.00	10.00	10.00	10.00	17.00	17.00	0.00	2.00	4.00	2.00
	Amount :	77.45	64.55	64.55	62.91	107.02	105.81	0.00	11.03	24.33	13.46
	Dividend Payout Ratio %	36.61	40.82	43.39	42.52	75.92	63.06	0.00	45.58	37.45	38.37
10	Working Capital	1896.01	1418.44	1434.06	884.39	849.81	734.48	983.56	953.99	980.62	1056.12
11	Capital Employed	2973.17	2472.58	2449.97	1756.80	1738.87	1609.53	1901.93	1888.89	1867.28	1926.20
12	Net Worth	1821.13	1703.47	1614.29	1505.47	1424.68	1413.21	1297.80	1389.40	1366.77	1326.11
13	RATIOS										
	Current Ratio [CA : 1]	1.93	2.63	3.28	2.29	2.78	2.86	4.54	3.90	3.80	3.82
	Debt Equity Ratio [Debts : 1]	0.78	0.73	0.59	0.29	0.26	0.15	0.47	0.38	0.44	0.52
	EBIDTA to capital employed %	16.39	15.54	14.84	16.19	17.48	14.50	0.64	8.97	10.56	8.24
	PBT to Capital Employed %	10.95	9.79	9.85	12.28	12.17	15.95	(4.93)	2.79	3.70	2.24
	PAT to Capital Employed %	7.12	6.40	6.07	8.42	8.11	10.42	(2.53)	1.28	3.48	1.82
	PBT to Net Worth %	17.88	14.21	14.94	14.33	14.86	18.16	(7.22)	3.79	5.06	3.25
	PAT to Net Worth %	11.62	9.28	9.21	9.83	9.89	11.87	(3.70)	1.74	4.75	2.65
	PAT to Equity %	38.35	28.67	26.96	26.82	25.55	30.41	(8.71)	4.39	11.78	6.36
	PBT to Turnover %	3.81	4.55	6.62	6.77	7.31	10.71	(4.39)	2.51	3.23	1.81
	PAT to Turnover %	2.48	2.97	4.08	4.64	4.87	7.00	(2.25)	1.15	3.04	1.48
	Earning per share Before Tax (Rs.)	5.90	4.39	4.37	3.91	3.84	4.65	(1.70)	0.95	1.25	0.78
	Earning per share After Tax (Rs.)	3.84	2.87	2.70	2.68	2.56	3.04	(0.87)	0.44	1.18	0.64



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

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

Annual Report 2008-09

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Rashtriya Chemicals and Fertilizers Limited

Board of Directors

1. **Shri U. S. Jha**
Chairman and Managing Director
2. **Shri J. Kohareswaran**
Director (Marketing)
3. **Shri Gautam Sen**
Director (Finance)
4. **Shri Manoj Priya**
Director (Technical)
(from 30.12.2008)
5. **Shri Mathew C. Kunnumkal, IAS**
Addl. Secretary and Financial Advisor
Department of Fertilizers, New Delhi
6. **Shri Deepak Singhal, IAS**
Jt. Secretary, Department of Fertilizers,
New Delhi
7. **Shri I. C. Srivastava, IAS [Retd.]**
4 ka- 26, Jawahar Nagar, Jaipur - 302004
8. **Dr. Ashok Misra**
Intellectual Ventures India,
#701, Raheja Paramount
138, Residency Road,
Bangalore 560 025
9. **Shri Anil Agrawal**
Chartered Accountant
B-139, Kalkaji, New Delhi - 110 019
10. **Shri H. S. Karangle**
Director (Technical)
(upto 31.10.2008)

Senior Managers

1. **Shri Kailash Chandra Naredi, IRS**
Chief Vigilance Officer
2. **Shri R. K. Jain**
Executive Director (Trombay)
3. **Shri M. Singh**
Executive Director (Thal)
4. **Shri K. K. Phadnis**
Executive Director (HR)
5. **Shri P. K. Lahiri**
Executive Director (IA)
6. **Shri Bhunesh Mathur**
Executive Director (M)
7. **Shri K. L. Bhatia**
Chief General Manager (Complex & Acids)
8. **Shri P. S. Bhatia**
Chief General Manager (Nitrogen)
9. **Shri Kumar Gupta**
Chief General Manager (Projects)
10. **Shri Babu Ram**
Chief General Manager (IPD)
11. **Shri Rajesh Aggarwal**
Chief General Manager (O): Thal
12. **Shri P. M. C. Nair**
Chief General Manager (Corp)
13. **Shri V. B. Gandhalikar**
Chief General Manager (Tech) Tr
14. **Shri R. H. Kulkarni**
Chief General Manager (Fin)
15. **Shri S. V. Ganu**
Chief General Manager (C)
16. **Shri Mukund M. Patil**
General Manager (Fert. Mktg)
17. **Shri B. B. Prasad**
General Manager (Tech) Thal
18. **Shri Sudhir Parkhi**
General Manager (HR) Corp
19. **Shri Prakaashh T. Desai**
General Manager (A&CC)
20. **Shri P. B. Asai**
General Manager (HWP & Chem): Thal
21. **Shri Vikas D. Bhat**
General Manager (C)
22. **Shri P. S. Patare**
General Manager (Fert. Mktg)
23. **Shri K. C. Prakash**
Company Secretary
24. **Shri B. Nagraj**
General Manager (R&D)



Company Secretary	: Shri K. C. Prakash
Bankers	: State Bank of India Swastik Chamber Chembur, Mumbai 400 071.
Statutory Auditors	: M/s. K.S.Aiyar & Co., Mumbai. M/s. JCR & Co., Mumbai.
Share Transfer Agent	: M/s. Link Intime India (Pvt) Ltd., C-13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup, Mumbai 400 078. (022) 25963838
Registered Office	: "Priyadarshini", Eastern Express Highway, Sion, Mumbai 400 022.
Email address	: investorcommunications@rcfltd.com
Website address	: www.rcfltd.com

VISION

RCF shall be a well respected world class corporate with progressive growth in core and non-core areas achieving highest standards in efficiency, profitability, environment protection and Corporate Social Responsibility through operational excellence and ethical business culture. It will strive to provide world class services to its customers and continually enhance shareholder values.

MISSION

RCF's mission is to achieve continuous improvement in existing operations and strive for all round growth through expansion, diversification, innovation and productive research and development. We shall imbibe exemplary work culture and shall have highest degree of commitment to customers and stakeholders.



Rashtriya Chemicals and Fertilizers Limited

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

**NOTICE
THIRTY FIRST ANNUAL GENERAL MEETING**

NOTICE is hereby given that the **THIRTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED** will be held at **Yogi Sabhagruh, Behind Swaminarayan Mandir, Dadar (E), Mumbai- 400 014 on Friday the 25th day of September, 2009 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, 2009 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 Mathew C. Kunnumkal who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Shri J. Kohareswaran, Director, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Shri I. C. Srivastava, Director who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

7. To appoint Shri Manoj Priya, 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 Manoj Priya, 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

Date: 16.6.2009

Place: Mumbai

Company Secretary

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 14th September, 2009 to 25th September, 2009 [both days inclusive].
3. Members are requested to notify immediately any changes in their address to the Company or its Transfer Agents: M/s. Link Intime India Pvt. 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. Link Intime India Pvt. Ltd., 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 31st Annual General Meeting:

Item No. 7

Shri Manoj Priya, who has been appointed by President of India as Director (Technical) on the Board of the Company w.e.f. 30.12.2008, 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 31st 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 Manoj Priya for the office of Director of the Company.



Shri Manoj Priya, was appointed by the Government as Whole Time Director [Technical] of your Company w.e.f. 30.12.2008. Prior to joining as Director (Technical) he was Executive Director (Projects and Commercial). Shri Manoj Priya has rich experience of almost 34 years in Fertilizer Industry. He did his B.E. in Mechanical Engineering from BIT Sindri and MBA from University of Lyubljana. He joined FCI in December 1974 at Gorakhpur Unit as Jr.Executive Trainee and was posted at Trombay in August 1975. He has worked in various projects such as Trombay IV, Trombay V and the grass root projects at Thal from construction to commissioning stage. In addition to operation and maintenance of plants, he has a wide experience of

commercial activities, joint ventures, international contracts. Before being elevated he was the Executive Director (P&C) looking after all projects, imports, purchase, shipments, stores, railway operations, MES/ PHS.

None of the Directors, other than Shri Manoj Priya, is interested in the above Resolution.

Date: 16.6.2009

Place: Mumbai

By order of the Board of Directors

K. C. Prakash

Company Secretary

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**Rashtriya Chemicals and Fertilizers Limited****DIRECTORS' REPORT**

To the members:

The Directors of your Company have pleasure in presenting this 31st Annual Report on the working of your Company together with the Audited Accounts for the year ended 31st March, 2009.

1.0.0 FINANCIAL PERFORMANCE:**Summary of financial performance :**

Rs. Crore

Particulars	2008-2009	2007-2008
Sales including Subsidy	8455.32	5228.97
Other Income	83.11	96.09
Total Income	8538.43	5325.06
Cost of Sales	8051.23	4936.45
Operational Profit	487.20	388.61
Depreciation	86.58	83.18
Interest (Net)	74.93	59.32
Prior year adjustment	(0.01)	4.04
Profit/(Loss) before tax	325.70	242.07
Provision for Tax (including deferred Tax liability/ Asset)	114.12	83.92
Net Profit /(loss)	211.58	158.15
Appropriations:		
Dividend Proposed @ 12%	66.20	55.17
Tax and Educational cess on Dividend	11.25	9.38
Balance Transferred to General Reserve	134.13	93.60

1.1.0 Highlights for the year 2008-2009 :

Your Company's overall performance was excellent during the financial year 2008-09. Your Company achieved highest ever turn over of Rs. 8455.32 crore compared to Rs.5228.97 crore in the previous year, recording an increase of Rs.3226.35 crore, a growth rate of 61.70%. The total income from operations was Rs.8538.43 crore as against Rs. 5325.06 crore during the previous year registering a growth of 60.53%. Your Company achieved a gross profit of Rs. 487.20 crore as against Rs. 388.61 crore during the previous year, thus recording an increase in the operational profits by 25.37%. The net Profit before Tax at Rs.325.70 crore as against Rs. 242.07 crore registered an increase of 34.55%. The Net Profit after Tax during the current year, is higher at Rs.211.58 crore as against Rs.158.15 crore in the previous year registering an increase of 33.92% over previous year. The net Interest cost during the year has increased to Rs.74.93 crore compared to Rs.59.32 crore during the previous year due to level borrowing for working capital having gone up, delayed subsidy payments by Government and also receiving part of the same in the form of Government Bonds. A provision of Rs. 62.86 crore had to be made towards loss due to Mark to market value of Fertiliser Bonds.

Despite the substantial increase in the turnover by Rs 3226.35 crore i.e., 61.70%, the net interest cost during the current year has increased by just Rs.15.61 crore reflecting the efficient manner in which the working capital of your company has been managed. Your Company undertook substantial trading activity. The profit margin in trading is relatively lower compared to marketing of own products. The growth in operating profit is, therefore, lower than that of the turnover.

Your Company's operations remained highly satisfactory inspite of constraints in the availability of feedstock gas and increased input costs. Year 2008-09 witnessed a highly volatile International market upto October 2008. Prices of DAP/MAP, Sulphur, Phos Acid sky rocketed. Consequently rock phosphate which was contracted at low prices till December could not be supplied properly. There were disruptions. Again exchange rate of US dollar against Indian Rupee hardened affecting the input costs. When prices of DAP/ MAP started softening since November 2008, there was no corresponding reduction in the price of rock phosphate. Further, the global melt down has affected our selling price of chemicals after October, 2008. This affected profitability in the last quarter.

Your Company's ANP plant is being revamped and hence remained closed during the year. The input costs especially Naphtha has also increased substantially during the year. Inspite of all these setbacks your Company's performance has been laudable.

The Company received 'MOU EXCELLENT' rating for 2007-2008 from Ministry of Heavy Industries and Public Enterprises.

1.2.0 Dividend :

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 Directors propose to pay dividend at Re.1.20 per each equity share of Rs.10/- , i.e. 12%. The total outgo works out to Rs.77.45 crore including dividend distribution tax and education cess.

1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs 211.58 crore. The dividend pay out along with Tax/cess is Rs.77.45 crore. The balance amount of Rs.134.13 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 23.75 lakh MT of fertilizers during the year as against 23.00 lakh MT produced in the previous



year and achieved overall capacity utilisation of 88.03 % as against 85.30% during the previous year. The capacity utilisation of the Urea plants was to the extent of 93.48% only since the Urea plant at Trombay was not operated due to gas limitation. As regards complex fertilizers, Suphala [15:15:15] plant produced to the extent of 157%. In terms of nutrients, your Company produced 9.46 lakh MT of Nitrogen (N), 0.71 lakh MT of Phosphate (P₂O₅) and 0.71 lakh MT of Potassium (K₂O) during the year as compared to 9.13 lakh MT of N, 0.70 lakh MT of P₂O₅ and 0.70 lakh MT of K₂O during the previous year.

Production of Suphala was marginally affected due to limitation of rock phosphate.

The performances of the units are given below:

2.1.2.1 Thal Unit:

Thal unit produced 19.04 lakh MT of Urea during the year compared to 18.32 lakh MT produced in the previous year. The unit achieved a capacity utilisation of 111.55 % as compared to 107.35% during the previous year. The unit produced 10.97 lakh MT of Ammonia compared to 10.55 lakh MT during previous year. The energy consumption per MT of Urea was 6.472 Gcal. In terms of nutrients in the fertilizers, the unit produced 8.76 lakh MT of N during the year compared to 8.43 lakh MT during the previous year.

The unit, certified for ISO-9001, ISO-14001 and ISO18001 under Integrated Management System, had excellent performance during the year by surpassing all the records previously achieved such as highest ever production, highest capacity utilisation, and highest stream days of 356 days for Ammonia.

Thal unit of your company was bestowed with following awards during the year:

1. FAI award 2008 for "Best Technical Innovation" for Energy Saving by High Emissivity Coating in Primary Reformer furnace undertaken at Thal Ammonia plant.
2. Good Green Governance award from Srishti Foundation for year 2007 for Environment Protection & Pollution Control.
3. Special Award for "Contribution in Safety Awareness activity by RCF" given jointly by Directorate of Industrial Safety and Health and Mutual Aid Response Group, Government of Maharashtra.

Several technical innovations undertaken have resulted in achieving lowest energy consumption in urea (6.472 MKcal/MT), lowest specific power consumption (48.76 kwh/MT), highest production of ammonia (10.97 lakh MT), highest production of urea (19.04 lakh MT) etc.

2.1.2.2 Trombay Unit:

The Trombay Unit produced 4.71 lakh MT of Suphala 15:15:15 during the year under report compared to 4.68 lakh MT produced 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. Presently ANP plant is

being re-engineered and major work is being undertaken and hence the unit did not produce Suphala 20:20. The unit achieved an overall capacity utilization of 47.53% compared to 47.25% during the previous year. In terms of Nutrient values, the unit produced 0.71 lakh MT of N during the year (previous year 0.70 lakh MT), and produced 0.71 lakh MT P₂O₅ (previous year 0.70 lakh MT) and 0.71 lakh MT K₂O (previous year 0.70 lakh MT).

The unit was bestowed with the following awards:

1. Fertilizer Association of India (FAI) Award for "Best Environmental Performance in NP/NPK complex fertilizer plant for the year 2008-09.
2. "Golden Peacock Environmental Management Award" for the year 2006-07 by the "Institute of Directors", New Delhi.

2.1.3 Industrial Products:

Your Company is one of the prime chemicals manufacturers in the country producing several Industrial Chemicals at the two units. During the year, your Company produced 1.30 lakh MT of various major Industrial Chemical products compared to 1.34 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 the highest ever sales volume of 48.33 lakh MT during 2008-09 as compared to 40.50 lakh MT in the previous year. Your Company sold 36.64 lakh MT of Urea, 5.03 lakh MT of Suphala 15:15:15, and 6.66 lakh MT of other bought out products such as DAP, MOP, etc. compared to 31.01 lakh MT of Urea, 4.91 lakh MT of Suphala 15:15:15, and 4.58 lakh MT of other bought out products respectively during the previous year. Your Company achieved highest sales even in other products such as Biofertilizers (Biola), Micronutrients (Microla) and 100% water soluble fertilizer (Sujala), all produced by your Company.

Urea sales at 36.64 lakh MT, is the highest ever sales of urea achieved in any year and surpassed the last years sale of 31.01 lakh MT. The Company has emerged as the largest supplier of urea in the states of Maharashtra, Karnataka & Tamil Nadu. The Company's market-share of urea has also gone up from 12% in 2007-08 to 14% in 2008-09 and thus has become the second largest seller of Urea. In previous year it held 3rd position.

The sales of bought out fertilizers increased to 23.15 lakh MT in the current year from 17.70 lakh MT over the traded quantity in the previous year registering an increase of 29%. Sales of traded products constituted 36 % of the total sales volume of the Company. All states registered impressive increase in market share over the previous years. Similarly all products showed increase over previous years in terms of volume.



Rashtriya Chemicals and Fertilizers Limited

Due to excellent performance of the Marketing division, your Company received the FAI Golden Jubilee Award for Transfer of Farm Technology.

2.2.2 Industrial Products Division:

Despite various constraints due to global recession during the second half of the financial year, Industrial Products Division achieved highest ever turnover of Rs.783.95 Crore as against the sales turnover of Rs.655.80 Crore during the previous year, achieving a growth rate of 19.15 %. Ammonium Nitrate (Melt), Methanol, Methylamines and Conc. Nitric Acid contributed significantly in achieving the high growth. The division has plans to achieve a Turnover of Rs.850 Crores during the financial year 2009-10.

2.2.3 Exports :

Your Company has exported NPK 15:15:15 worth Rs. 2.23 Crore (US \$ 474600) as against Rs.0.13 crore achieved during the previous year. This is the highest ever export of NPK 15:15:15 since inception of your company. Considering the products line of your Company, scope for exporting and earning foreign exchange is very limited.

2.2.4 FUTURE PLANS OF FERTILIZER MARKETING:

Your Company has plans to increase the sales of all fertilizers from 48.33 lakh MT in 2008-09 to about 55 lakh MT in 2009-10. Your Company is also exploring the possibility of increasing its presence in SSP market to increase turnover and profitability.

2.3.0 The Fertilizer Industry:

Your Company is manufacturing nitrogenous and phosphatic fertilizers. While Urea is under price and movement control, the phosphatic fertilizers continue to be under the indirect control of the Government. Government of India notified the NPS Stage-III policy of Urea which was reported to the members last year. The Government made certain changes in the policies relating to concession scheme for Phosphatic and Potassic (P&K) fertilizers as under which are applicable to your Company:

- (i) Monthly rates of concession of Di-Ammonium Phosphate (DAP), Mono-Ammonium Phosphate (MAP), Triple Super Phosphate (TSP) and Muriate of Potash (MOP) which were worked out earlier on the basis of the average international price of preceding month or the actual weighted average C&F landed price for the current month, whichever is lower, will now be based on the average international price of the month preceding the last month or the actual weighted average C&F landed price for the current month, whichever is lower w.e.f. 1st April 2009. In case of raw materials / inputs for complex fertilizers, the one month lag, as at present, will continue. This will rationalize the correlation of purchase prices of fertilizers and fertilizer inputs by Indian buyers in the international market which are published and landed prices in the country.

- (ii) Payment of concession for supplies of P&K fertilizers w.e.f. 1st December 2008 is now based on arrival / receipt of fertilizers in the district of a State against the earlier practice of release of payment on the basis of sales. The 'On Account' payment to suppliers will be based on their claim and certificate of receipt by the State Government within 30 days and balance payment on the basis of certificate of sale of fertilizers by the company certified by their statutory auditor. This will ensure necessary financial compliance in the payment procedure.

- (iii) The Tariff Commission is reviewing the factors of escalation / de-escalation in the nutrient price for complex fertilizers w.e.f. 1st April 2009. This is aimed at rationalizing adjustment in the monthly rate of concessions vis-a-vis prevailing prices of fertilizer inputs.

- (iv) Under the earlier methodology, nutrient price of Nitrogen 'N' adopted for complex fertilizers is based on price of 'N' obtaining in each complex fertilizer of a company. As such, there are prices of nutrient 'N' for each complex for each producer. It has been decided that instead of product wise, now group wise 'N', i.e. 'N' price based on four groups will be adopted w.e.f. 1st April 2009 for computation of concession for complex fertilizers. As such, broadly, there will be four prices of nutrient 'N' which will encourage inter-se efficiency amongst the producers.

The proposed changes would overall not affect the Company adversely.

2.4.0 Strength and Weakness:

2.4.1 Strengths:

Your Company's strength lies in its skilled manpower, high Brand Equity for the Products manufactured such as Ujjwala, Suphala, Microla, Biola, Sujala. The wide spread marketing network ensures that your company reaches the products to all parts of the country. The Farmer's Training Institute and R&D Centre ensure that quality services are provided to the farmers/ dealers by educating them and providing inputs for better crop realisation. Your Company has a wide portfolio of chemical products and can withstand difficult economic situations by adopting optimal mix of production. The well maintained plants and equipment ensure uninterrupted production and distribution of goods.

2.4.2 Weaknesses:

The Plants have been in operation for a very long time, some of them since 1965 by carrying out regular upkeep, maintenance and upgradation. The company's working capital is dependent on the receipt of subsidy payments from government; any delays would force the company to borrow and incur interest burden. The complex fertilizers are based on imported raw materials which can face severe volatility in raw material prices and foreign currency exchange rate affecting the profitability of the company.