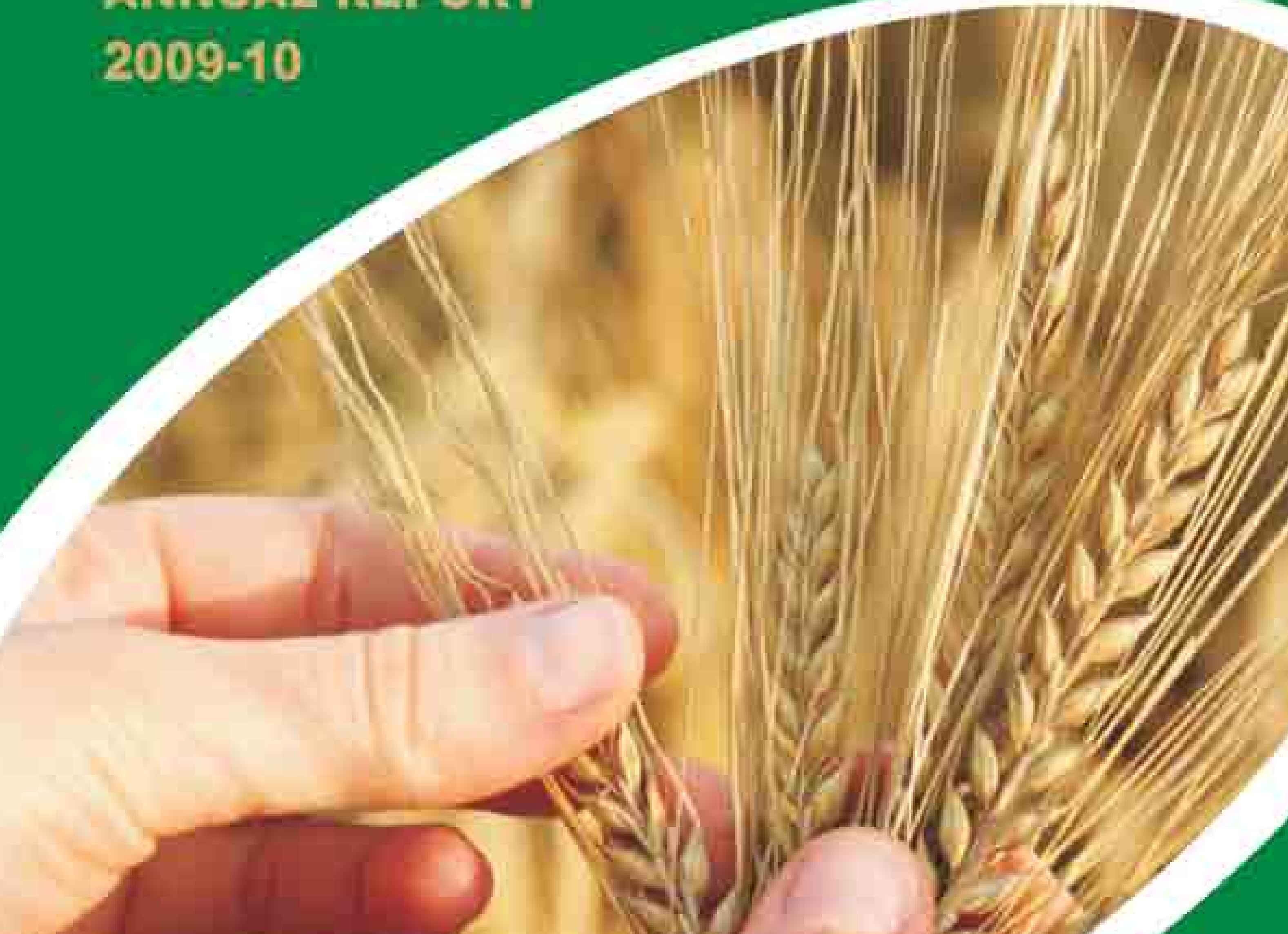
32nd

ANNUAL REPORT 2009-10



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

FINANCIAL HIGHLIGHTS AT A GLANCE

(Rs. in Crores)

S. No.	PARTICULARS	2009-10	2008-09	2007-08	2006-07	2005-06	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
1	***Turnover***	5826.25	8538.43	5325.06	3644.60	3187.80	2895.90	2396.64	2135.98	2099.45	2137.93
	(Sales + Subsidy + Other Income)										
2	***Profit before Interest, Depreciation and Tax (EBIDTA)***	439.70	487.22	384.31	363.66	284.39	303.99	233.38	12.10	169.46	197.20
3	Depreciation	75.60	86.58	86.96	75.42	68.53	96.71	69.17	68.25	76.88	59.10
4	Interest [Net]	19.87	74.93	59.32	46.93	0.80	(3.98)	(91.59)	40.54	58.37	72.57
5	Prior year Adj. - Expenses / (Income)	0.02	0.01	(4.04)	0.07	(0.61)	(0.41)	(0.85)	(2.97)	(18.40)	(3.63)
6	***Profit / (Loss) Before Tax***	344.21	325.70	242.07	241.24	215.67	211.67	256.65	(93.72)	52.61	69.16
7	Tax Provision (Net of Adj.)	109.34	114.12	83.92	92.50	67.71	70.71	88.86	(45.65)	28.40	4.19
8	***Profit / (Loss) After Tax***	234.87	211.58	158.15	148.74	147.96	140.96	167.79	(48.07)	24.21	64.97
9	Dividend										
	Rate %	11.00	12.00	10.00	10.00	10.00	17.00	17.00	0.00	2.00	4.00
	Amount :	70.77	77.45	64.55	64.55	62.91	107.02	105.81	0.00	11.03	24.33
	Dividend Payout Ratio %	**30.13**	**36.61**	**40.82**	**43.39**	**42.52**	**75.92**	**63.06**	**0.00**	**45.58**	**37.45**
10	Working Capital	1933.66	1896.01	1418.44	1434.06	884.39	849.81	734.48	983.56	953.99	980.62
11	Capital Employed	3176.37	2973.17	2472.58	2449.97	1756.80	1738.87	1609.53	1901.93	1888.89	1867.28
12	Net Worth	2000.88	1821.13	1703.47	1614.29	1505.47	1424.68	1413.21	1297.80	1389.40	1366.77
13	**RATIOS**										
	Current Ratio [CA : 1]	2.25	1.93	2.63	3.28	2.29	2.78	2.86	4.54	3.90	3.80
	Debt Equity Ratio [Debts : 1]	0.67	0.78	0.73	0.59	0.29	0.26	0.15	0.47	0.38	0.44
	EBIDTA to capital employed %	13.84	16.39	15.54	14.84	16.19	17.48	14.50	0.64	8.97	10.56
	PBT to Capital Employed %	10.84	10.95	9.79	9.85	12.28	12.17	15.95	(4.93)	2.79	3.70
	PAT to Capital Employed %	7.39	7.12	6.40	6.07	8.42	8.11	10.42	(2.53)	1.28	3.48
	PBT to Net Worth %	17.20	17.88	14.21	14.94	14.33	14.86	18.16	(7.22)	3.79	5.06
	PAT to Net Worth %	11.74	11.62	9.28	9.21	9.83	9.89	11.87	(3.70)	1.74	4.75
	PAT to Equity %	42.57	38.35	28.67	26.96	26.82	25.55	30.41	(8.71)	4.39	11.78
	PBT to Turnover %	5.91	3.81	4.55	6.62	6.77	7.31	10.71	(4.39)	2.51	3.23
	PAT to Tounover %	4.03	2.48	2.97	4.08	4.64	4.87	7.00	(2.25)	1.15	3.04
	Earning per share Before Tax (Rs.)	6.24	5.90	4.39	4.37	3.91	3.84	4.65	(1.70)	0.95	1.25
	Earning per share After Tax (Rs.)	4.26	3.84	2.87	2.70	2.68	2.56	3.04	(0.87)	0.44	1.18

Senior Managers

Shri Ajoy Kumar, I.A.S. Chief Vigilance Officer	**Shri K. K. Phadnis** Executive Director (HR)	**Shri P. K. Lahiri** Executive Director (IA)
Shri Bhunesh Mathur Executive Director (M)	**Sri Rajesh Aggarwal** Executive Director (Thal)	**Shri P. M. C. Nair** Executive Director (Trombay)
Shri Kumar Gupta Chief General Manager (Projects)	**Shri V. B. Gandhalikar** Chief General Manager (Tech) Tr.	**Shri R. H. Kulkarni** Chief General Manager (Fin)
Shri Mukund M. Patil Chief General Manager [HR-Admn]	**Shri B. B. Prasad** Chief General Manager (Tech) Thal	**Shri Sudhir Parkhi** Chief General Manager (HR) Corporate
Shri P. B. Asai Chief General Manager (R & D)	**Shri Vikas D.Bhat** Chief General Manager (C)	**Shri P. S. Patare** Chief General Manager (Fert. Mktg)
Shri K. C. Prakash Company Secretary	**Shri B. Nagraj** Chief General Manager (R&D)	**Shri R. K. Jain,** General Manager [Operations- Thal]
Shri A. B. Ghasghase General Manager [IPD]	**Shri C. M.T. Britto** General Manager [Coordn]	**Shri V. G. Londhe** General Manager [Fin. & IT]
Shri R. B. Patil General Manager [Fin.Tr.]	**Shri Dilip Ranade** General Manager [Vig]	**Shri Bhaskar Das** General Manager [Project] Thal

Company Secretary	:	Shri K. C. Prakash
Bankers	:	State Bank of India Swastik Chamber,Chembur, Mumbai 400 071.
Statutory Auditors	:	M/s. JCR & Co., M/s G.D. Apte & Co.
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	:	www.rcfltd.com
Telephone	:	022-25522000

Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

“Priyadarshini”, Eastern Express Highway, Sion, Mumbai - 400 022.

Annual Report 2009-10

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RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

NOTICE

THIRTY SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the THIRTY SECOND 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 Monday, the 28th day of June 2010 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, 2010 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 Deepak Singhal who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Shri Gautam Sen, Director, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS :

6. To appoint Dr. V. Rajagopalan, 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. V. Rajagopalan, 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

Date: 06.05.2010 **K. C. Prakash**

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 16.6.2010 to 28.6.2010 [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@rcfltd.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. 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 of the Notice convening the 32nd Annual General Meeting:

Item No. 6

Dr. V. Rajagopalan, IAS, who has been appointed by President of India as Director on the Board of the Company w.e.f. 03.05.2010, 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 32 nd Annual General Meeting.

Notice under Section 257 of the Companies Act, 1956 has been received bythe Company, from a shareholder signifying his intention to propose the candidature of Dr. V. Rajagopalan, IAS., for the office of Director of the Company.

Dr. V. Rajagopalan 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. V. Rajagopalan, 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 Hindustan Organic Chemicals Ltd., KRIBHCO, Madras Fertilizers Ltd.

None of the Directors, other than Dr. V. Rajagopalan, is interested in the above Resolution.

By order of the Board of Directors

Date: 06.05.2010 **K. C. Prakash**

Place: Mumbai *Company Secretary*

DIRECTORS' REPORT

To the members
Rashtriya Chemicals and Fertilizers Ltd,
Mumbai

The Directors of your Company have pleasure in presenting this 32nd Annual Report on the working of your Company together with the Audited Accounts for the year ended 31st March, 2010.

1.0.0 FINANCIAL PERFORMANCE:

Summary of financial performance :

Rs. Crore

Particulars	2009-2010	2008-2009
Sales including Subsidy	5697.18	8455.32
Other Income	129.07	83.11
Total Income	**5826.25**	8538.43
Cost of Sales	**5386.57**	8051.23
Operational Profit	**439.66**	487.20
Depreciation	75.60	86.58
Interest (Net)	19.87	74.93
Prior year adjustment	(0.02)	(0.01)
Profit/ (Loss) before tax	**344.21**	325.70
Provision for Tax (including deferred Tax liability/ Asset)	109.34	114.12
Net Profit / (loss)	**234.87**	211.58
Appropriations:		
Dividend	**60.69**	66.20
Tax and Educational cess on Dividend	**10.08**	11.25
Balance Transferred to General Reserve	**164.10**	134.13

1.1.0 Highlights for the year 2009-2010:

Your Company achieved a turn over of Rs.5697.18 crore compared to Rs.8455.32 Crore in the previous year. The turnover is lower by Rs 2758.14 crore during the year compared to previous year mainly due to lower imports of urea by Government of India and discontinuance of costly feed stock of Naptha leading to less subsidy realisation. The total income from operations was Rs. 5826.25 crore as against Rs. 8538.43 crore during the previous year. Your Company achieved a gross profit of Rs.439.66 crore as against Rs. 487.20 crore. The net Profit before Tax at Rs. 344.21 crore as against Rs. 325.70 crore registered an increase of 5.68 % despite lower gross profit mainly due to substantial reduction in the net interest. The Net Profit after Tax during the current year, is higher at Rs.234.87 crore as against Rs.211.58 crore in the previous year registering an increase of 11% over previous year. The net Interest cost during the year has been Rs. 19.87 crore compared to Rs.74.93 crore during the previous year due to good treasury and foreign currency management which ensured reduction in interest cost and gain in foreign exchange transactions. Your Company received 'MOU Excellent' rating for 2008-2009 and is likely to get the same for 2009-10 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.1.10 per each equity share of Rs.10/-, compared to previous year devidend of Re.1.20 per each share. The dividend for the current year works out to 11% compared to 12% last year. The total out go works out to Rs.70.77 crore (Rs77.45crore in the previous year) including dividend distribution tax and education cess. This amounts to 30.13% of the net profit

1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs 234.87 crore(Rs 211.58 crore in the previous year). The dividend pay out along with Tax/cess is Rs 70.77 crore (Rs.77.45 crore in the previous year). The balance amount of Rs. 164.09 crore (Rs.134.13 crore in the previous year) 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 25.96 lakh MT of fertilizers (Urea-20.89 lakh MT, Suphala15:15:15- 4.90 lakh MT and Suphala 20:20-0.17 lakh MT) during the year as against 23.75 lakh MT (Urea -19.04 lakh MT and Suphala15:15:15- 4.71 lakh MT) produced in the previous year and achieved overall capacity utilisation of 96.23 % as against 88.030% during the previous year. The capacity utilisation of the Urea plants was to the extent of 102.56%. As regards complex fertilizers, Suphala [15:15:15] plant produced to the extent of 163.33% and Suphala 20:20 (ANP) produced 4.73%. In terms of nutrients, your Company produced 10.38 lakh MT of Nitrogen (N), 0.77 lakh MT of Phosphate (P2O5) and 0.74 lakh MT of Potassium (K2O) during the year as compared to 9.46 lakh MT of N, 0.71 lakh MT of P2O5 and 0.71 lakh MT of K2O during the previous year.

The performances of the units are given below:

2.1.2.1 Thal Unit:

Thal unit produced 17.82 lakh MT of Urea during the year compared to 19.04 lakh MT produced in the previous year.

The unit achieved a capacity utilisation of 104.41 % as compared to 111.55% during the previous year. The unit produced 11.28 lakh MT of Ammonia compared to 10.97 lakh MT during previous year. The Thal unit of the company was using naphtha as an alternative feedstock to overcome the gas shortage. With the availability of Reliance gas, your Company has stopped the usage of naphtha. Naphtha is a rich source of Carbon dioxide whereas gas does not provide the same level of Carbon dioxide required for converting entire ammonia produced into urea and hence the decline in urea production at Thal. The energy consumption per MT of Urea was 6.297 Gcal/ MT (6.472 Gcal in the previous year). In terms of nutrients in the fertlisers, the unit produced 8.20 lakh MT of N during the year compared to 8.76lakh MT during the previous year.

Thal unit of your Company bagged following awards during the year:

1. National Energy Conservation award in appreciation of achievements in Energy conservation in Fertilizer Sector for the year 2009 was awarded by Government of India, Ministry of Power (2nd Prize).
2. State Level award for excellence in Energy consumption and management for the year 2007-08 awarded on 5th July, 2009.
3. Green Tech Environment Excellence Award in Gold Category for the year 2009.

The unit, continued to be certified for ISO-9001, ISO-14001 and ISO18001 under Integrated Management System.

2.1.2.2 Trombay Unit:

The Trombay Unit produced 3.07 lakh MT of Urea, 4.90 lakh MT of Suphala 15:15:15 and 0.17 lakh MT of ANP during the year under report compared to 4.71 lakh MT of Suphala 15:15:15 produced during the previous year. During the year company started receiving gas from KG Basin from April /May 2009. Government of India also declared a special dispensation for the Trombay Urea plant under the NPS III. As a result of this, your company could restart its Urea plant at Trombay after a gap of 6 years and it is very gratifying to note that the plant after initial problems has stabilized and running very efficiently.

ANP plant also started its operation and produced 17070 MT. The unit achieved an overall capacity utilization of 82.14 % compared to 47.53% during the previous year. In terms of Nutrient values, the unit produced 2.18 lakh MT of N during the year (previous year 0.71 lakh MT), and produced 0.77 lakh MT P2O5 (previous year 0.71 lakh MT) and 0.74 lakh MT K2O (previous year 0.71 lakh MT).

The unit was bestowed with GREENTECH environment excellence award for “Environment Excellence In Fertilizer Sector” for the year 2008-09.

2.1.3 Industrial Products:

Your Company is one of the prime chemicals manufacturers in the country producing several Industrial Chemicals at its two units. During the year, your Company produced 1.19 lakh MT of various major Industrial Chemical products compared to 1.30 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 sales volume of 40.73 lakh MT during 2009-10 as compared to 48.33 lakh MT in the previous year. Your Company sold 28.62 lakh MT of Urea, 4.87 lakh MT of Suphala 15:15:15, and 0.16 lakh MT of Suphala 20:20 and 7.08 lakh MT of other bought out products such as DAP, MOP, etc. compared to 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 respectively during the previous year. Your Company achieved highest sales in Biofertilizers (Biola), Micronutrients (Microla) and 100% water soluble fertilizer (Sujala), all produced by your Company. The total sale of manufactured fertilizers during 2009-10 was 25.99 lakh MT as against 25.17 lakh MT in 2008-09 registering a nominal increase of 3%. The total sales value of manufactured fertilizers during the period 2009-10 was Rs.1267.71 crore compared to Rs.1231.98 crore in the previous year.

The total sale during the year was lower by 7.60 lakh MT, i.e. 36% mainly due to lower imports of urea by the Government of India. This was partly off-set by higher sales of Own-manufactured products. The total sales value of bought out fertilizers during the period 2009-10 was lower at Rs.780.19 crore compared to the previous year figure of Rs.1129.05 crore.

The Marketing division of your Company received the FAI’s prestigious “Excellence in Crop productivity improvement” for having achieved 50% increase in yield of Wheat at Narullaganj, Sehore, Madhya Pradesh.

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 turnover of Rs. 717.28 Crore as against the sales turnover of Rs.783.95 Crore during the previous year. Ammonium Nitrate (Melt), Methanol, Methylamines and conc. Nitric Acid contributed significantly to the turnover.

2.2.3 Exports :

During the year under report, your Company exported 1220 MT of Suphala 15:15:15 worth Rs 2.58 crore. 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 about 55 lakh MT in 2010-11. Your Company is also exploring the possibility of increasing its presence in SSP market to increase turnover and profitability. Your Company also intends to import and market complex fertilizers and develop customised/ fortified fertilizers like Boronated Suphala and Zincated urea, opportunity provided in Nutrient based subsidy.

2.3.0 The Fertilizer Industry:

Government of India has introduced a Nutrient Based Subsidy (NBS) in place of product wise subsidy effective from 1.4.2010. NBS implies that subsidy amount payable to the Company will be fixed annually for each nutrient of the products sold based on the nutrient content. The nutrient based subsidy so decided would be converted into subsidy per tonne for each subsidized fertilizer. In the initial phase only DAP; MOP, MAP, TSP, 12 grades of complex fertilizers, Ammonium Sulphate (Caprolactum Grade) and SSP are proposed to be covered. Urea is not part of NBS now. Any variant of these fertilizers with secondary and micro-nutrients as provided under FCO would also be eligible for subsidy.

The other major features of NBS are as follows:

The distribution and movement of these fertilizers would continue to be monitored through Fertilizer Monitoring System (FMS) like at present 20% of these fertilizers produced would be under movement control under the Essential Commodities Act 1955. The imports of these fertilizers are placed under OGL and subsidy would be admissible on all products as mentioned above except Ammonium Sulphate. Rail freight would be reimbursed on actuals whereas the primary road freight would be restricted to equivalent rail freight. Secondary road freight is not proposed to be reimbursed as a sum of Rs. 300 per MT is already built into the NBS. The NBS would be initially paid through the industry.

Your Company Welcomes the move which is a step in the direction of decontrol. As per the scheme, a unit is aware before hand of its concession even before the year commences and will enable the unit to draw-up its production strategy. The Companies can negotiate with the suppliers of raw materials for better prices by offering long term contracts and by bringing P&K fertilizers under Open General Licence (OGL), it is ensured that there would be healthy competition. Your Company can import fertilizers whenever it's cost of production is not viable compared to the realization and thereby maintain its presence in the market. NBS will also encourage units to develop customized fertilizers.

Your Company feels that there is an opportunity in this challenge.

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, and 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 up-gradation. 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.

2.4.3 Opportunities:

Due to your company's good reputation, several opportunities exist for Collaborations / Diversification in manufacturing, mining and marketing of varieties of products. The increased availability of feed stock gas would permit for undertaking major expansion at Thal. Alternate feedstock like Coal gasification gives an opportunity for undertaking Fertilizer Projects in other parts of the country. CDM activities enable realization of Carbon Credits (CER). Experienced & Skilled Manpower of your company has been in demand for rendering O&M service in India and abroad.

2.4.4 Threats:

Manufacturing and marketing of Fertilizers is the core business of your company. Agro-climatic conditions have a large effect on the performance of your company. The chemicals business is highly susceptible to cut throat global market competition.

The bringing of P&K fertilizers under the OGL may lead to greater imports. This is a real threat since your Company is totally dependent on imports for its "K" requirements and about 90% of its "P" requirement. In case if the gas prices in the country are revised upwards such escalation needs to be borne by the company it self. The foreign raw material suppliers may benchmark their prices on the NBS rates. The other cost provided in the landed price of Urea, DAP and MOP have been retained at 2005-06 level. This may prove to be inadequate in the long run.

2.5.0 Risk Management:

Your Company has put in place Risk Management System with the objective of having 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. Risks associated with operations, Environment, finance, Human Resource, legal, Information security etc and the degree of impact financially, its likely effect on the assets, facilities and third parties are assessed regularly. 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 your Company.

The profitability is susceptible to the input costs of major raw materials, such as Rock Phosphate, Sulphur, DAP, MOP, MAP etc. and hence has been developing alternate source of raw materials to reduce the risk of dependency and to safeguard against major breakdown at the data centre, if any, your Company has installed another server at a separate site, which replicates the date on production server and can be available to ERP users.

2.6.0 MAJOR EXPANSION AND DIVERSIFICATIONS:

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:

2.6.1. On going Projects.

The following projects are in progress/completed during the year:

2.6.1.1. Re-vamp of Methanol Plant:

Phase-I Methanol plant has been revamped to achieve a production of 220 MTPD from the existing 172 MTPD and to reduce energy consumption from 9.094 to 7.9632 MKCal/MT . The project has been completed at a cost of Rs 117.04 crore and is giving desired result. The phase-II of the re-vamp is sheduled to complete by end of second quarter of this year. The production after re-vamp phase-II would be 240 MTPD.

2.6.1.2. Rapidwall Plant:

This Project has been set up at an estimated cost of Rs 75 crore for utilizing phospho-gypsum produced as by-product in Trombay for manufacturing. environmental friendly, load-bearing, low cost pre-Fabricated and glass-fibre reinforced building walls and other products with wide construction applications. M/s. Rapidwall Building Systems Pty. Ltd. Australia has supplied technology for setting up manufacturing facility at Trombay. The plant will produce 1.40 million Sq meters of wall panels, 40,000 MT of wall plaster and 6,000 MT of wall putty. Trial runs have been carried out and about 400 wall panels have been manufactured which are being tested/certified for its quality/acceptance/positioning in the market. The process is expected to stabilise and full scale production is likely to start during first half of financial year 2010-11.

2.6.1.3. Ammonium Nitro Phosphate Granulation Project-Trombay

Your company has installed a Ammonium Nitrophosphate granulation plant of 900 MT per day capacity by using the slurry prepared in the wet section (Front end). The plant has been commissioned at a cost of Rs.75.08 crore to manufacture complex fertilizer Suphala 20:20. It is also proposed to revamp wet part section to improve nutrient and energy efficiency.

2.6.1.4. De-bottlenecking of Thal Plants:

Your Company has envisaged de-bottlenecking of Thal Ammonia Plant and Urea Plants in order to produce 2 X 1750 MTPD of ammonia and 3 X 2030 MTPD of urea. The estimated cost for the scheme is Rs.488.75 crore. Project work has been started and is likely to be commissioned in March 2011. On commissioning , the capacity of Urea plant is likely to go upto 20 lakh MT per annum, apart from being more energy efficient.

2.6.2 New Projects :

2.6.2.1. 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 setting up 1 x 2200 MTPD ammonia plant and 1 x 3500 MTPD Urea plant along with power generation, offsite, utilities and product handling facilities.

Draft techno-economic feasibility report (TEFR) has been prepared by PDIL. Further, pre-project activities are in hand. The estimated cost of the project is Rs. 4400 crore.

2.6.2.2 Other Major Projects

Your Company has taken up CDM Nitric Acid Project for implementation and has registered the project with UNFCCC, the registering authority for CDM projects.

Your Company is also working on several projects to add new products, augment production, increase efficiencies, reduce environment emissions and reduce cost. Some of the projects conceived are Coal based chemicals, Port based logistic system etc.

Your Company has been actively pursuing an opportunity to set up Joint Venture Companies in some Countries with abundance of raw materials like rock phosphate, phosphoric acid, ammonia etc.

A coal gasification based Fertilizer project is proposed at Talcher in Orissa wherein a consortium of GAIL, Coal India Ltd and your company would execute the project. The project is in a preliminary stage of development.

2.7 Subsidiary and other Joint Venture Companies:

2.7.1 Rajasthan Rashtriya Chemicals & Fertilizers Ltd, Jaipur

The Joint Venture Company incorporated to undertake the project for manufacturing 850 MTPD of DAP has not been functional as the partners are yet to take decision on investment in the project.

2.7.2 FACT-RCF Building Products Ltd., Kochi

Your Company has formed a Joint Venture Company with Fertilizers and Chemicals Travancore Limited (FACT) by incorporating FACT-RCF Building Products Ltd to set up a Rapidwall project at Kochi. Both RCF and FACT have 50:50 equity holding in the Company. The plant will use gypsum available with FACT to produce load bearing wall panels, wall plaster and wall putty through Rapidwall technology. The project is actively progressing. Civil jobs are in the final stages and mechanical erection of the plant is in advanced stage. The plant is expected to be commissioned in the first half of the current financial year.

2.7.3 Urvarak Videsh Limited

The JV Company is exploring the possibility of revival of old unit of HFCL at Barauni and has engaged PDIL for consultancy work for EIA and technology selection. The JV Company would decide further course of action based on feasibility of the project. The Company has been incorporated with an authorised capital of Rs 5 crore and has a paid up capital of Rs15 lakh of which your Company's contribution is Rs 5 lakh.

2.7.4 RCF HM Construction Solutions Pvt Ltd.

Your Company has incorporated a 50:50 Joint Venture Company with First Future Properties Pvt. Ltd for marketing the Rapidwall products with an authorised capital of Rs 5 crore and paid up capital of Rs 10 lakh which will be suitably increased as per business requirement. The Company has started the initial activity of seeding the market with the Rapidwall products manufactured by your Company.

2.7.5 Consolidated Statement

Consolidated financial statement of your company with subsidiary company and other Joint venture companies and statement under section 212 in respect of the subsidiary company are attached to the accounts.

2.8.0. RESEARCH AND DEVELOPMENT:

Your Company has taken up several Research and Development projects, some of which taken up for commercial scale design and engineering, are as under:

2.8.1 Study to recover Process water from present R.O. reject water in Sewage Treatment Plant. (STP)

R&D has installed Bench scale unit in STP to study the recovery of process water from R.O. reject water. Around 7000m3/day of R.O. reject water is being generated, majority of it is being discharged to the creek.

Experimental results indicates that it is possible to recover approx. 50% of the R.O. reject water as Process water.

The scheme is under consideration for implementation.

2.8.2 Development of Boronated Suphala, Fortified Grade (15:15:15: 0.2):

Studies have been conducted at Lab scale for Value addition to Complex fertilizer Suphala 15:15:15 by using micronutrient Boron to the extent of 0.15- 0.20 %. The study involves laboratory preparation of Suphala 15:15:15 with addition of different Boron sources. Addition of Boron to Suphala will facilitate easy and uniform application of micronutrient Boron along with NPK. Most of the Indian soils lack micronutrient Boron.

2.8.3 Production of 100 % Water soluble Mono Ammonium Phosphate: (10 MTPD)

A technology demonstration pilot plant is being set up by in the phosphoric acid plant to produce 100 % Water soluble Mono Ammonium phosphate from fertilizer grade phosphoric acid, at a cost of Rs 12 crore. The MAP produced will be used as raw material in production of Sujala 19:19:19.