

33rd ANNUAL REPORT 2010-2011



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)



MOU Excellence Award

Mr. R. G. Rajan, C&MD, RCF receiving MOU Excellence Award at the hands of Hon'ble Prime Minister of India Dr. Manmohan Singh in presence of other dignitaries.

Best Technology Innovation Award

Hon'ble Union Minister of Chemicals and Fertilizers Mr. M.K. Alagiri and Hon'ble Union Minister of States for Chemicals and Fertilizers Mr. S. K. Jena giving Best Technology Innovation Award to RCF being received by Mr. Manoj Priya, Director (Technical) in presence of Mr. Sutanu Behuria, IAS, Secretary, DOF, Mr. R. G. Rajan, C&MD, RCF and other dignitaries.



RCF'S 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.



Board of Directors



Shri R. G. Rajan
Chairman and Managing Director



Shri Gautam Sen
Director (Finance)



Shri U.S. Jha
Chairman and Managing Director
(Upto 30.06.2010)



Shri Manoj Priya
Director (Technical)



Shri J. Kohareswaran
Chairman and Managing Director
and Director (Marketing)
(Upto 31.10.2010)



Dr. V. Rajagopalan, IAS
Addl. Secretary and Financial
Advisor, Department of Fertilizers,
New Delhi



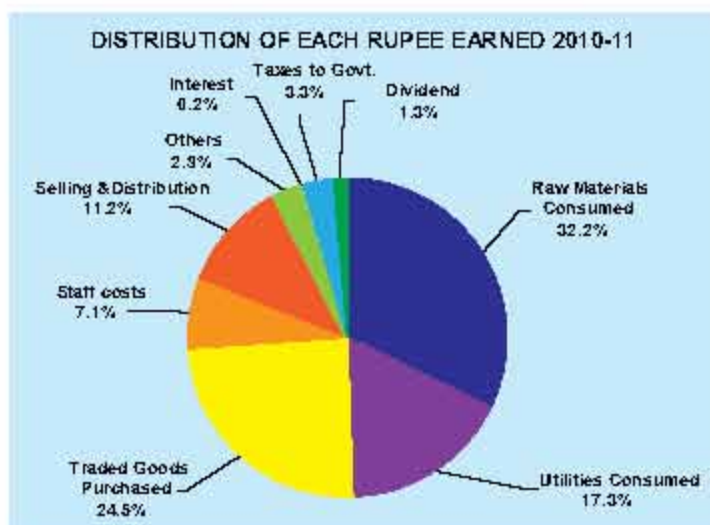
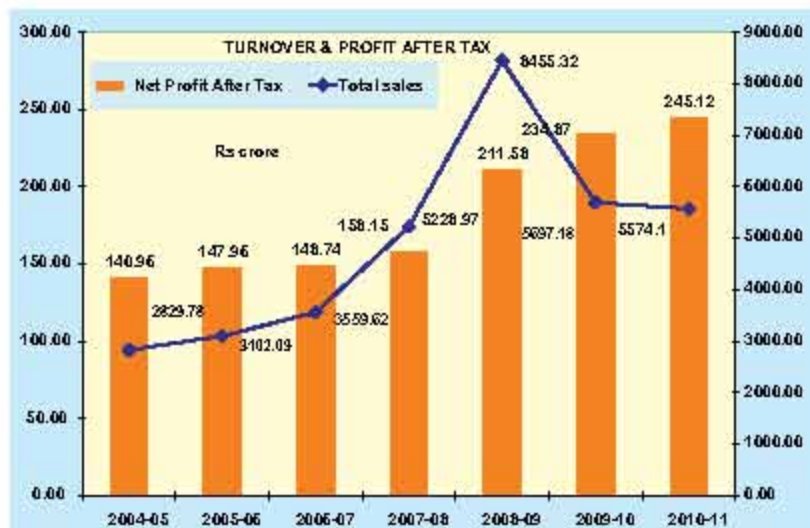
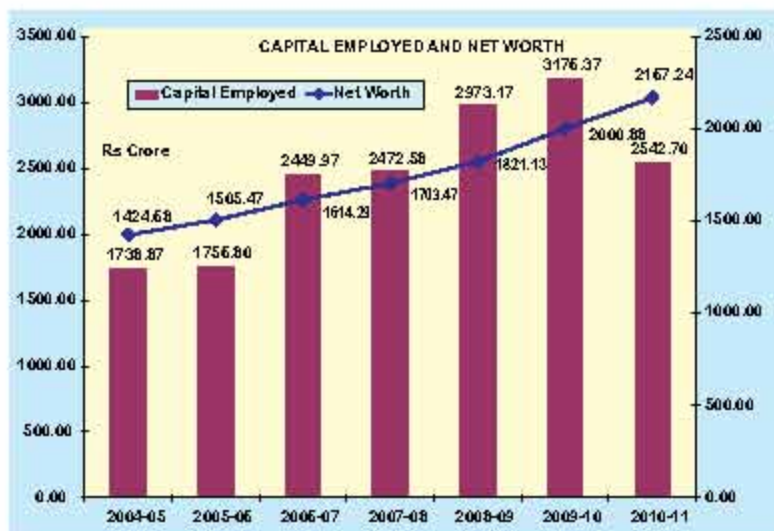
Shri Deepak Singhal, IAS
Jt. Secretary, Department of
Fertilizers, New Delhi
(Upto 12.11.2010)



Shri Sham Lal Goyal, IAS
Jt. Secretary,
Department of Fertilizers,
New Delhi [From 12.11.2010]

MISSION OF THE COMPANY

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.



FINANCIAL HIGHLIGHTS AT A GLANCE

(₹ in Crores)

Sr. No.	PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
1	Turnover (Sales + Subsidy + Other Income)	5677.25	5826.25	8538.43	5325.06	3644.60	3187.80	2895.90	2396.64	2135.98	2099.45	2137.93
2	Profit before Interest, Depreciation and Tax (EBIDTA)	476.74	439.70	487.22	384.31	363.66	284.39	303.99	233.38	12.10	169.46	197.20
3	Depreciation	112.62	75.60	86.58	86.96	75.42	68.53	96.71	69.17	68.25	76.88	59.10
4	Interest [Net]	9.65	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)	(0.22)	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	354.69	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.)	109.57	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	245.12	234.87	211.58	158.15	148.74	147.96	140.96	167.79	(48.07)	24.21	64.97
9	<u>Dividend</u>											
	Rate %	11.00	11.00	12.00	10.00	10.00	10.00	17.00	17.00	0.00	2.00	4.00
	Amount :	70.53	70.77	77.45	64.55	64.55	62.91	107.02	105.81	0.00	11.03	24.33
	Dividend Payout Ratio %	28.77	30.13	36.61	40.82	43.39	42.52	75.92	63.06	0.00	45.58	37.45
10	Working Capital	1260.27	1933.66	1896.01	1418.44	1434.06	884.39	849.81	734.48	983.56	953.99	980.62
11	Capital Employed	2542.70	3176.37	2973.17	2472.58	2449.97	1756.80	1738.87	1609.53	1901.93	1888.89	1867.28
12	Net Worth	2167.24	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]	2.16	2.25	1.93	2.63	3.28	2.29	2.78	2.86	4.54	3.90	3.80
	Debt Equity Ratio [Debits : 1]	0.22	0.67	0.78	0.73	0.59	0.29	0.26	0.15	0.47	0.38	0.44
	EBIDTA to capital employed %	18.75	13.84	16.39	15.54	14.84	16.19	17.48	14.50	0.64	8.97	10.56
	PBT to Capital Employed %	13.95	10.84	10.95	9.79	9.85	12.28	12.17	15.95	(4.93)	2.79	3.70
	PAT to Capital Employed %	9.64	7.39	7.12	6.40	6.07	8.42	8.11	10.42	(2.53)	1.28	3.48
	PBT to Net Worth %	16.37	17.20	17.88	14.21	14.94	14.33	14.86	18.16	(7.22)	3.79	5.06
	PAT to Net Worth %	11.31	11.74	11.62	9.28	9.21	9.83	9.89	11.87	(3.70)	1.74	4.75
	PAT to Equity %	44.43	42.57	38.35	28.67	26.96	26.82	25.55	30.41	(8.71)	4.39	11.78
	PBT to Turnover %	6.25	5.91	3.81	4.55	6.62	6.77	7.31	10.71	(4.39)	2.51	3.23
	PAT to Turnover %	4.32	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 (₹)	6.43	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 (₹)	4.44	4.26	3.84	2.87	2.70	2.68	2.56	3.04	(0.87)	0.44	1.18



Senior Managers

Shri Rajesh Kundan, I.R.S. Chief Vigilance Officer	Shri P.K. Lahiri Executive Director (IA)	Shri Bhunesh Mathur Executive Director (HES)
Shri P M C Nair Executive Director (Trombay)	Shri R.H. Kulkarni Executive Director (Fin)	Shri Mukund M. Patil Executive Director (HR/ Marketing)
Shri K.C. Prakash Company Secretary	Shri P.B. Asai Executive Director (Marketing)	Shri Sudhir Parkhi Chief General Manager (Admn)
Shri R.K. Jain, Chief General Manager (Thal)	Shri A.B. Ghasghase General Manager (IPD)	Shri C. M.T. Britto General Manager (Coordn)
Shri V.G. Londhe General Manager (CF/ IT)	Shri R.B. Patil General Manager (Finance)	Shri Dilip Ranade General Manager (Vig)
Shri Bhaskar Das General Manager (Projects), Thal	Shri P.G. Deshpande General Manager (Operations)	Shri A. Kundu General Manager (Commercial)
Shri A. Banerjee General Manager (Complex)	Shri P. Karthikeyan General Manager (Marketing)	Shri R.K. Nagraj General Manager (HWP/CGP)
Shri A. M. Swamy General Manager (N)	Shri R.K. Bharve General Manager (IA)	Shri M.Thyagarajan General Manager (Coordn)

Company Secretary	: Shri K. C. Prakash
Bankers	: State Bank of India Swastik Chamber, Chembur, Mumbai 400 071.
Statutory Auditors	: M/s. JCR & Co., Mumbai M/s G.D. Apte & 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	: 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 2010-11

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RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

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

NOTICE THIRTY THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the THIRTY THIRD 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 23rd day of September, 2011 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, 2011 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 Manoj Priya who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS :

5. To appoint Shri Sham Lal Goyal, IAS, 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 Sham Lal Goyal, 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: 10.05.2011

Place: Mumbai

K. C. Prakash

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 15.09. 2011 to 23.09. 2011 [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. 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, after the amount is transferred to the said Fund.

The following Explanatory Statement sets out the material facts referred to in Item No. 5 of the Notice convening the 33rd Annual General Meeting:

Item No. 5

Shri Sham Lal Goyal, IAS, who has been appointed by President of India as additional Director on the Board of the Company w.e.f. 12.11.2010, 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 33rd 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 Sham Lal Goyal, IAS for the office of Director of the Company.

Shri Sham Lal Goyal, IAS, was nominated by President of India in place of Shri Deepak Singhal, IAS. Shri Goyal is an IAS officer and is presently Jt. Secretary (P&P), Department of Fertilizers, Ministry of Chemicals and Fertilizers, New Delhi. Shri Goyal is Chairman and Managing Director in FACT Limited, FCI Limited, HFC Limited and Director in Madras Fertilizers Limited. He has varied and rich experience in Government, under different positions and has great managerial capabilities.

None of the Directors, other than Shri Sham Lal Goyal, is interested in the above Resolution.

By order of the Board of Directors

Date: 10.05.11

Place: Mumbai

K. C. Prakash

Company Secretary

DIRECTORS' REPORT

To the members

Rashtriya Chemicals and Fertilizers Ltd,
Mumbai

The Directors of your Company have pleasure in presenting this 33rd Annual Report on the working of your Company together with the Audited Accounts for the year ended 31st March, 2011.

1.0.0 FINANCIAL PERFORMANCE:

Summary of financial performance :

₹ Crore

Particulars	2010-2011	2009-2010
Sales including Subsidy	5574.10	5697.18
Other Income	103.15	129.07
Total Income	5677.25	5826.25
Cost of Sales	5200.51	5386.55
Operational Profit	476.74	439.70
Depreciation	112.62	75.60
Interest (Net)	9.65	19.87
Prior year adjustment	0.22	(0.02)
Profit/(Loss) before tax	354.69	344.21
Provision for Tax (including deferred Tax liability/Asset)	109.57	109.34
Net Profit/(loss)	245.12	234.87
Appropriations:		
Dividend	60.69	60.69
Tax and Educational cess on Dividend	9.84	10.08
Balance Transferred to General Reserve	174.59	164.10

1.1.0 Highlights for the year 2010-2011:

Your Company achieved a turnover of ₹5574.10 crore compared to ₹5697.18 crore in the previous year. The turnover is lower by ₹ 123.08 crore during the year compared to previous year mainly due to lower subsidy received from Government of India. The total income from operations was ₹ 5677.25 crore as against ₹5826.25 crore during the previous year. Your Company achieved a gross profit of ₹476.74 crore as against ₹439.70 crore. The net Profit before Tax at ₹354.69 crore as against ₹344.21 crore registered an increase of 3.04%. The Net Profit after Tax during the current year, is higher at ₹245.12 crore as against ₹234.87 crore in the previous year registering an increase of 4.36% over previous year. The net Interest cost during the year has been ₹9.65 crore compared to ₹19.87 crore during the previous year due to good treasury and foreign currency management. Your Company received 'MOU Excellent' rating for 2009-2010 and is likely to get the same for 2010-11 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 ₹1.10 per each equity share of ₹10/-, same as that in the previous year. The total out go works out to ₹ 70.53 crore (₹ 70.77 crore in the previous year) including dividend distribution tax and education cess.

1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of ₹ 245.12 crore (₹ 234.87 crore in the previous year). The dividend pay out along with Tax/cess is ₹ 70.53 crore (₹ 70.77 crore in the previous year). The balance amount of ₹ 174.59 crore (₹164.10 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 27.29 lakh MT of fertilizers (21.24 lakh MT of Urea, 4.47 lakh MT of Suphala 15:15:15 and 1.58 lakh MT of Suphala 20:20) during the year as against 25.96 lakh MT (20.89 lakh MT of Urea, 4.90 lakh MT of Suphala 15:15:15 and 0.17 lakh MT of Suphala 20:20) produced in the previous year and achieved overall installed capacity utilisation of 100.08% as against 96.23% during the previous year. The capacity utilisation of the Urea plants was to the extent of 104.28%. As regards complex fertilizers, Suphala [15:15:15] plant produced to the extent of 106.43% and Suphala 20:20 (ANP) produced 58.52% as the plant got stabilised in second half of the year. In terms of nutrients, your Company produced 10.76 lakh MT of Nitrogen (N), 0.99 lakh MT of Phosphate (P₂O₅) and 0.67 lakh MT of Potash (K₂O) during the year as compared to 10.38 lakh MT of N, 0.77 lakh MT of P₂O₅ and 0.74 lakh MT of K₂O during the previous year.

The details of performances of the units are given below:

2.1.2.1 Thal Unit:

Thal unit produced 17.83 lakh MT of Urea during the year compared to 17.82 lakh MT produced in the previous year. The unit achieved a capacity utilisation of 104.49% as compared to 104.41% during the previous year. The unit produced 11.35 lakh MT of Ammonia compared to 11.28



lakh MT during previous year. The energy consumption per MT of Urea was 6.37 Gcal/ MT (6.30 Gcal MT in the previous year). In terms of nutrients in the fertilizers, the unit produced 8.20 lakh MT of N during the year, same as in previous year.

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

- i. Certificate of Merit for Excellence in Energy Conservation and Management from Indian Chemical Council for 2009.
- ii. "Runner up Award" for "Best Technical Innovation" from Fertilizers Association of India for the year 2009-10.
- iii. "Green Tech Environment Excellence Award in Gold Category" for the year 2010.

2.1.2.2 Trombay Unit:

The Trombay Unit produced 3.41 lakh MT of Urea, 4.47 lakh MT of Suphala 15:15:15 and 1.58 lakh MT of ANP during the year under report compared to 3.07 lakh MT of Urea, 4.90 lakh MT of Suphala 15:15:15 and 0.17 lakh MT of ANP produced during the previous year.

The unit achieved an overall capacity utilization of 92.75% compared to 82.14% during the previous year. In terms of Nutrient values, the unit produced 2.56 lakh MT of N, 0.99 lakh MT of P_2O_5 and 0.67 lakh MT of K_2O during the year compared to 2.18 lakh MT, 0.77 lakh MT and 0.74 lakh MT respectively in the previous year.

The unit was bestowed with the following awards:

- i. Green Tech Environment Excellence Award for "Environmental Excellence in Fertilizer Sector" for 2009-10
- ii. Second best "National Energy Conservation Award" in Fertilizer Sector for Energy Conservation.

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 1.51 lakh MT of various major Industrial Chemical products compared to 1.19 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 40.14 lakh MT during 2010-11 as compared to 40.73 lakh MT in

the previous year. Your Company sold 29.86 lakh MT of Urea, 4.50 lakh MT of Suphala 15:15:15, 1.52 lakh MT of Suphala 20:20 and 4.26 lakh MT of other bought out products such as DAP, MOP, etc. compared to 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 respectively during the previous year. The total sale of manufactured fertilizers during 2010-11 was 27.56 lakh MT as against 25.99 lakh MT in 2009-10 registering a nominal increase of 6.07%. The total sales value, excluding subsidy, of manufactured fertilizers during the period 2010-11 was ₹1503.33 crore compared to ₹1267.71 crore in the previous year.

Though, the sale of own manufactured fertilizers was higher by 1.58 lakh MT, since the total sale of bought out fertilizers during 2010-11 was 12.58 lakh MT as against 14.74 lakh MT in 2009-10, the total sale during the year was marginally lower by 0.59 lakh MT.

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 ₹ 726.25 Crore as against the sales turnover of ₹ 717.28 Crore during the previous year. Ammonium Nitrate (Melt), Methanol, Methylamines and Conc. Nitric Acid, etc contributed significantly to the turnover.

2.2.3 Exports :

During the year under report, your Company exported 384 MT of Suphala 15:15:15 worth ₹ 0.74 crore as against 1220 MT of ₹ 2.58 crore during the previous year. Considering the products manufactured by 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 40.14 lakh MT in 2010-11 to about 45 lakh MT in 2011-12. Your Company is tying up with SSP Units for manufacturing and marketing 6 lakh MT of SSP to increase turnover and profitability. Your Company also intends to import and market complex fertilizers, water soluble fertilizers, SOP, Aluminium Sulphate, Zinc Sulphate and develop customised/fortified fertilizers like Boronated Suphala and Zincated urea.

2.3.0 The Fertilizer Industry:

The Nutrient Based Subsidy (NBS) scheme for decontrolled phosphatic and potassic fertilizers has come into effect from 1.4.2010 as was informed in the previous report. The scheme has been revised w.e.f 1.4.2011. The main features of the NBS scheme are as under: