



*Let us grow together*

# Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)



**41<sup>st</sup> ANNUAL REPORT 2018-19**





Shri Narendra Modi, Hon'ble Prime Minister of India, launched the "Commencement of Work" of Coal Gasification based Fertilizer Plant of Talcher Fertilizers Limited , A joint Venture of RCF, GAIL, CIL and FCIL at Talcher, Odisha on 22<sup>nd</sup> September 2018.



Shri D. V. Sadananda Gowda, Union Minister of Statistics & Program Implementation & Chemicals and Fertilizers visited RCF Thal for dedication of GTG Project to the Nation.

## BOARD OF DIRECTORS WHOLE-TIME DIRECTORS



**Shri Umesh V. Dhatriak**  
Chairman & Managing Director



**Shri Sudhir D. Panadare**  
Director (Technical)



**Shri Umesh Dongre**  
Director (Finance)



**Shri K. U. Thankachen**  
Director (Marketing)  
From 11.12.2018

## GOVERNMENT NOMINEE DIRECTORS



**Ms Alka Tiwari, IAS**  
Addl. Secretary, Dept. of Fertilizers, New Delhi



**Ms Gurveen Sidhu, IA & AS**  
Jt. Secretary, Dept. of Fertilizers, New Delhi

## INDEPENDENT DIRECTORS



**Shri Harin Pathak**  
upto 09.06.2019



**Shri G. M. Inamdar**  
upto 09.06.2019



**Shri Suryanarayana Simhadri**



**Prof. Anil Kumar Singh**  
from 07.03.2019



**Dr. Shambhu Kumar**  
from 07.03.2019

## COMPANY SECRETARY



**Shri J. B. Sharma**





## *Letter from the Chairman*

### **Dear Shareholders,**

I take great pride in sharing the performance of your Company during the year 2018-19 and the road ahead. Your Company has time and again proved that no challenge is greater than their dedication and commitment which brings the Company to greater heights with every passage of time. Though there were external challenges like adverse agro-climatic conditions, increased input costs, cheap imports etc., the actual sales of our products manufactured at the units have gone up over previous year along with profit after tax. Simultaneously, your Company has incessantly continued its efforts in reducing costs by improvising on efficiencies.

The frame of reference in which your Company operates i.e. the state of economy in general and fertilizer industry in particular, during 2018-19, is briefly outlined for better understanding of the performance of your Company.

### **Overview of the Economy**

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a Boston Consulting Group (BCG) report and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

### **Overview of the Fertilizer Industry**

The fertilizers sales for industry as a whole had witnessed subdued growth by almost 9.06% during the financial year 2018-19. With overall consumption rising, the decline in domestic sales was made up with higher Urea imports which rose to 25% in the financial year 2018-19. NPK and DAP sales increased by 7% and 5.27 % respectively as compared to the previous year. MOP sales increased substantially

by 41.65 % as compared to the previous year. Imports of Urea, DAP & NPKs increased by 21.33%, 38.29% and 24.97% respectively during the year 2018-19 as compared to the previous year. On the other hand, imports of MOP witnessed sharp decline of 15.87 %.

Rabi sowing was down by 1.9% year to year in the current season for financial year 2019 driven by lower sowing in states like Maharashtra, Karnataka, Andhra Pradesh and Gujarat. These states had witnessed deficient rainfall during the Kharif season and low reservoir levels in the Rabi season. The sowing levels for rice witnessed a remarkable uptick towards the end of Rabi season with increased sowing reported from Bihar and West Bengal, while all other major crops witnessed a decline in sowing during the current Rabi season.

### **Corporate Overview of the Company**

During the year, your Company achieved Revenue from Operations of ₹8885.47 Crore as against ₹7281.96 Crore in previous year (PY). Profit Before Tax (PBT) during the year, stood at ₹235.25 Crore as against ₹128.22 Crore mainly on account of Higher sales & margins of Complex Fertilizers, Industrial and traded products. Profit After Tax (PAT) stood at ₹139.17 Crore as against ₹78.80 Crore. Net Income of ₹ 23.44 Crore towards value of Development Right Certificates received/ receivable towards surrender of land during current year and downward revaluation of Development Right Certificate received / receivable in previous year, has been reported as exceptional item.

Your Company achieved sales volume of 30.49 lakh MT during 2018-19 as compared to 30.65 lakh MT during the previous year. The total sale of manufactured fertilizers during 2018-19 was 29.15 lakh MT as against 29.82 lakh MT during the previous year. Sales of manufactured fertilizers registered reduction of 2.21 % over previous year owing to lower production of Urea due to planned shutdowns for hooking up various energy saving schemes.

Your Company produced 29.36 lakh MT of fertilizers (23.75 lakh MT of Urea & 5.61 lakh MT of Suphala 15:15:15) during the year as against 29.80 lakh MT of fertilizers (25.02 lakh MT of Urea & 4.78 lakh MT of Suphala 15:15:15) produced during the previous year.

### Projects

I am happy to announce that your Company is planning to undertake major projects in the direction of:

- self-reliance on scarce resources like water;
- improving efficiency in use of energy in production operations;
- participation in the revival of closed fertilizer units; and
- making efforts for increasing availability of raw materials / finished fertilizers on consistent basis through joint ventures in India and abroad.

The details of such projects are available in the Directors' Report. Your Company is also looking for opportunities for long term off take agreements for procurement of fertilizers, to ensure sustained growth. I am confident that with your continuous support, encouragement and faith in us and support from the Government, your Company would march ahead successfully.

I am delighted to present the Annual Report for the year 2018-19 and hope to see you on 24<sup>th</sup> September, 2019 at the 41<sup>st</sup> Annual General Meeting of the Company.

### Going forward

GoI approved a ₹ 10,000 Crore Special Banking Arrangement for the fertiliser sector for meeting the subsidy requirement for FY 2019. The GoI will bear the interest costs up to 7.72% p.a. and 0.48% p.a. to be borne by the respective fertiliser companies. The Special Banking Arrangement helps in reducing the interest outgo for a short period of time and is paid out by GoI within 60 days of disbursement using the proceeds from the next fiscal's subsidy budget. Thus, it essentially remains a stop gap arrangement and does not resolve the issue of the subsidy backlog for the industry.

The domestic gas price is expected to rise for financial year 2020 given the increase in the international gas prices in the recent months, to which the domestic gas price is

benchmarked. Though domestic gas price is expected to rise, the R-LNG prices have softened to a large extent and are expected to moderate further in the near term. Imported R-LNG prices had been on an uptrend driven by strong Chinese demand as the country partly replaced coal with natural gas as a key source of energy to combat pollution. However, as we move forward, R-LNG prices are expected to moderate given the forecast of a warmer winter in northern hemisphere, falling crude oil prices and high LNG storage levels in Japan, China and South Korea.

An analysis of the financial performance of the companies indicates an increase in the operating profit primarily driven by the chemical segment which offset the weak profitability from the fertiliser segment. The fertiliser segment witnessed softening of the profitability owing to rising raw material prices and currency depreciation. Chemical segment witnessed tailwinds from currency depreciation and healthy demand leading to improved contribution from the chemical segment.

Performance of Urea players is expected to remain stable in the upcoming year, with pooled price expected to moderate given the steep fall in the R-LNG prices which should offset the expected increase in the domestic gas price for H1 FY 2020. The performance of P&K players has been impacted by the rising raw material prices and currency depreciation in FY 2019. However, as the year comes to close, the currency has cooled off to a certain extent while raw material prices have also stabilized.

### Acknowledgement

Before I conclude, I would like to place on record my appreciation to all my colleagues on the Board, past and present, for their valuable contribution in the growth of the Company. Finally, on behalf of the Board, I would like to thank you, our valued shareholders, for your unwavering support in our journey to deliver value to all our stakeholders.

Thank you, ladies and gentlemen.

**Umesh V. Dhatrak**

Chairman & Managing Director

Mumbai

Dated : 12<sup>th</sup> August, 2019





Shri U. V. Dhatriak, CMD RCF along with other Directors of RCF receives the “31st CFBP – Jamanalal Bajaj Uchit Vyavahar Puraskar for Fair Business Practices” at the hands of Shri Uday Kotak, MD and CEO Kotak Mahindra Bank.



RCF bags First Prize in the Best Activity Report Award during the 28<sup>th</sup> Western Regional Meet of Forum of Women in Public Sector (WIPS) which was conducted on 10<sup>th</sup> December, 2018 in Bhopal, MP.

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### MISSION STATEMENT

“Exponential growth through business excellence with focus on maximising stakeholder value by manufacturing and selling fertilizers and chemicals in a reliable, ethical and socially responsible manner.”

### VISION STATEMENT

“To be a world class corporate in the field of fertilizers and chemicals with dominant position in Indian market, ensuring optimal utilisation of resources, taking due care of environment and maximising value of stake holders.”

### VALUE STATEMENT

“RCF shall deal in all aspects of Business with integrity, honesty, transparency and with utmost respect to the stakeholders, by honouring our commitments, providing results and striving for highest quality.”

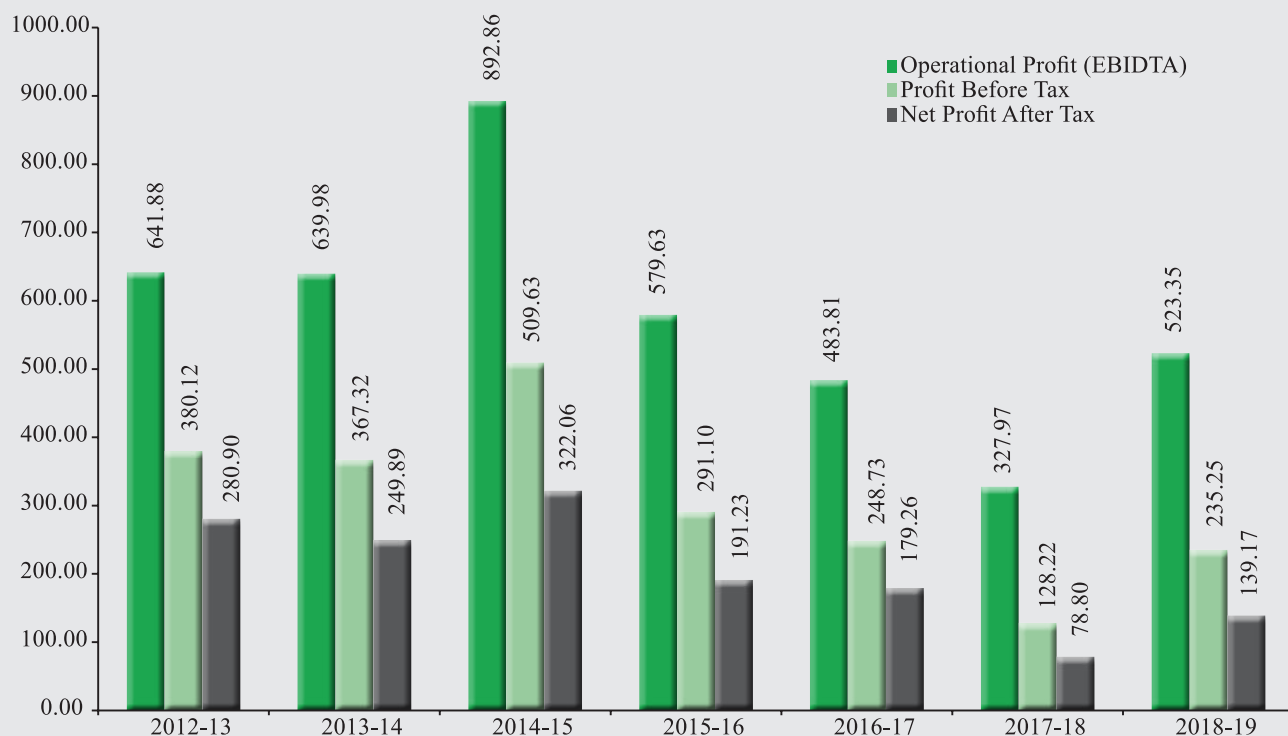


## FINANCIAL HIGHLIGHTS AT A GLANCE

Sl. NO.	PARTICULARS	As per IND AS												As per revised Schedule VI				₹ in crore			
		2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05					
1	GrossTurnover ( Gross Sales+ Subsidy + Other Income )	9119.54	7523.42	7456.21	9019.82	8063.22	6889.28	7131.65	6698.94	5671.60	5826.25	8538.43	5325.06	3644.60	3187.80	2895.90					
2	Revenue From Operations (Net)	8885.47	7318.63	7223.17	8649.43	7713.45	6587.60	6894.49	6433.71	5507.11	5642.11	8365.98	5140.27	3487.99	3046.83	2774.32					
3	Profit before Interest, Depreciation and Tax (EBIDTA)	523.35	327.97	483.81	579.63	892.86	639.98	641.88	567.82	533.19	490.38	523.01	391.24	365.72	300.59	316.99					
4	Depreciation	155.69	137.04	141.10	145.13	258.12	141.75	173.15	142.44	112.62	75.60	86.58	86.96	75.42	68.53	96.71					
5	Finance Cost	155.85	62.59	93.98	142.32	116.95	131.29	88.25	49.33	66.10	70.55	110.72	66.25	48.77	17.00	8.10					
6	Prior year Adj. - Expenses / (Income)	0.00	0.00	0.00	1.08	8.16	(0.38)	0.36	1.59	(0.22)	0.02	0.01	(4.04)	0.07	(0.61)	(0.41)					
7	Exceptional Items	(23.44)	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					
8	Profit / (Loss) Before Tax	235.25	128.22	248.73	291.10	509.63	367.32	380.12	374.46	354.69	344.21	325.70	242.07	241.46	215.67	212.59					
9	Tax Provision (Net of Adj.)	96.08	49.42	69.47	99.87	187.57	117.43	99.22	125.22	109.57	109.34	114.12	83.92	92.72	67.71	71.63					
10	Profit / (Loss) After Tax	139.17	78.80	179.26	191.23	322.06	249.89	280.90	249.24	245.12	234.87	211.58	158.15	148.74	147.96	140.96					
11	Dividend Declared																				
	Rate %	7.70	6.00	11.00	11.00	18.00	15.00	15.00	14.00	11.00	11.00	12.00	10.00	10.00	10.00	17.00					
	Amount :	51.21	39.91	73.04	73.04	119.52	96.79	96.81	89.77	70.53	70.77	77.45	64.55	64.55	62.91	107.02					
	Dividend Payout Ratio %	36.80	50.64	40.75	38.19	37.11	38.73	34.46	36.02	28.77	30.13	36.61	40.82	43.39	42.52	75.92					
12	Working Capital	1605.84	1544.05	1607.38	1465.03	1695.06	1378.73	1199.67	1116.04	1036.33	1933.66	1896.01	1418.44	1434.06	884.39	849.81					
13	Capital Employed	3853.36	3454.05	3148.97	2961.59	3196.10	2998.40	2616.38	2513.19	1831.12	3176.37	2973.17	2472.58	2449.97	1756.80	1738.87					
14	Net Worth	3034.70	2929.69	2925.02	2829.12	2710.93	2508.39	2355.29	2171.20	2011.73	1837.14	1672.42	1537.38	1447.30	1361.50	1271.42					
15	RATIOS																				
	Current Ratio [CA : L]	1.34	1.64	1.56	1.35	1.62	1.58	1.42	1.40	1.85	2.25	1.93	2.63	3.28	2.29	2.78					
	Debt Equity Ratio [Debits : L]	0.19	0.14	0.08	0.14	0.16	0.16	0.11	0.15	0.11	0.72	0.85	0.81	0.66	0.32	0.29					
	EBIDTA to capital employed %	13.58	9.50	15.36	19.57	27.94	21.34	24.53	22.59	29.12	13.84	17.59	15.82	14.93	16.19	17.48					
	PBT to Capital Employed %	6.11	3.71	7.90	9.83	15.95	12.25	14.53	14.90	19.37	10.84	10.95	9.79	9.86	12.28	12.17					
	PAT to Capital Employed %	3.61	2.28	5.69	6.46	10.08	8.33	10.74	9.92	13.39	7.39	7.12	6.40	6.07	8.42	8.11					
	PBT to Net Worth %	7.75	4.38	8.50	10.29	18.80	14.64	16.14	17.25	17.63	18.74	19.47	15.75	16.68	15.84	16.72					
	PAT to Net Worth %	4.59	2.69	6.13	6.76	11.88	9.96	11.93	11.48	12.18	12.78	12.65	10.29	10.28	10.87	11.09					
	PAT to Equity %	25.23	14.28	32.49	34.66	58.38	45.30	50.92	45.18	44.43	42.57	38.35	28.67	26.96	26.82	25.55					
	PBT to Gross Turnover %	2.58	1.70	3.34	3.23	6.32	5.33	5.33	5.59	6.25	5.91	3.81	4.55	6.63	6.77	7.34					
	PAT to Gross Turnover %	1.53	1.05	2.40	2.12	3.99	3.63	3.94	3.72	4.32	4.03	2.48	2.97	4.08	4.64	4.87					
	Earning per share Before Tax (Rs.)	4.26	2.32	4.51	5.28	9.24	6.66	6.89	6.79	6.43	6.24	5.90	4.39	4.38	3.91	3.85					
	Earning per share After Tax (Rs.)	2.52	1.43	3.25	3.47	5.84	4.53	5.09	4.52	4.44	4.26	3.84	2.87	2.70	2.68	2.56					
	EBIDTA to Turnover %	5.74	4.36	6.49	6.43	11.07	9.29	9.00	8.48	9.40	8.42	6.13	7.35	10.03	9.43	10.95					
	Interest Coverage ratio	2.36	3.05	3.65	3.05	5.36	3.80	5.31	8.59	6.37	5.88	3.94	4.65	5.95	13.69	27.25					

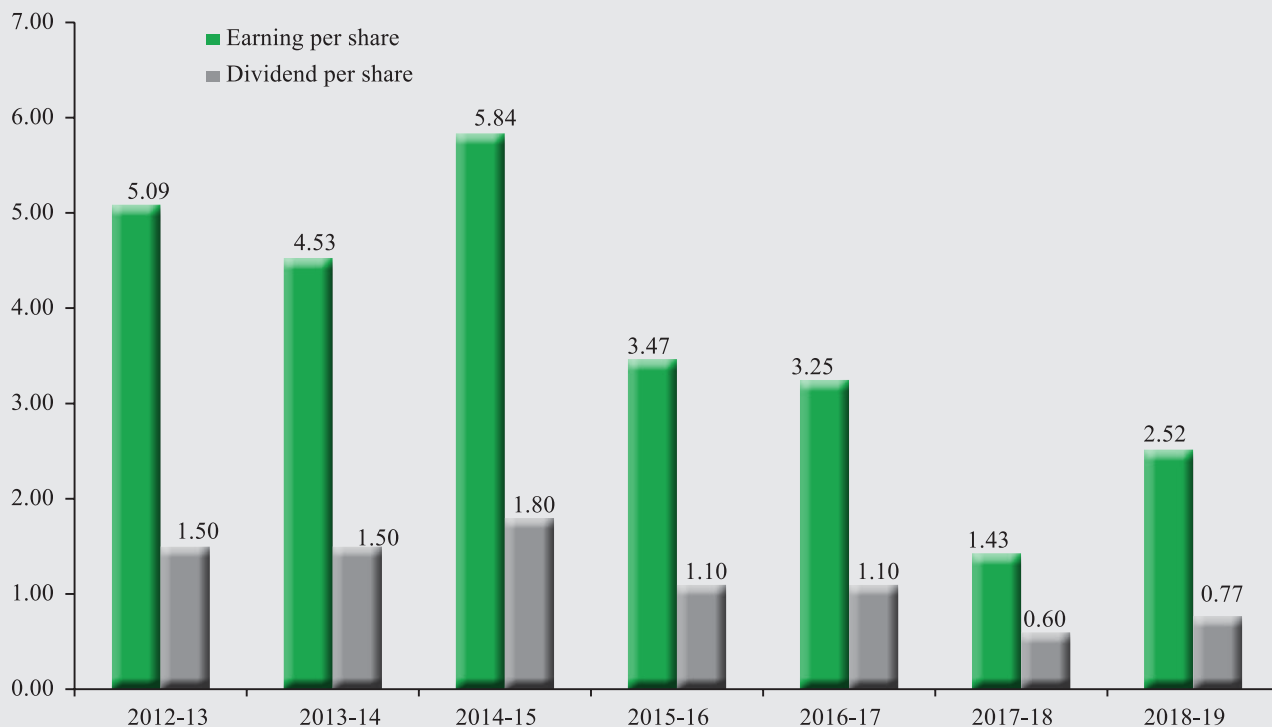


**OPERATIONAL PROFIT (EBIDTA), PBT AND PAT (₹ CRORE)**



**FERTILIZER AND IPD SALES (₹ CRORE)**



**EARNINGS & DIVIDEND PER SHARE (₹)****CAPITAL EMPLOYED & NET WORTH (₹ CRORE)**