



साथ बढ़ें समृद्धि की ओर

2nd

Annual Report 2019-20

Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)



ANNUAL SEMINAR 2019

PROACH TO FERTILIZER SECTOR

BER 2019 | HOTEL ANDAZ, AEROCITY, NEW DELHI



Trombay Unit received FAI Award for Best Production Performance in Complex Fertilizers for the year 2018-19

ANNUAL SEMINAR 2019

PROACH TO FERTILIZER SECTOR

MBER 2019 | HOTEL ANDAZ, AEROCITY, NEW DELHI



Thal Unit jointly conferred FAI Award for Excellence in Safety for the year 2018-19

BOARD OF DIRECTORS

WHOLE - TIME DIRECTORS



Shri S. C. Mudgerikar
Chairman & Managing Director
(From 01.10.2019)



Shri Umesh V. Dhatrak
Chairman & Managing Director
(Upto 30.09.2019)



Shri Sudhir D. Panadare
Director (Technical)



Shri Umesh Dongre
Director (Finance)



Shri K. U. Thankachen
Director (Marketing)

GOVERNMENT NOMINEE DIRECTORS



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



Ms Aparna S Sharma, CSS
*Joint Secretary, Dept. of Fertilizers,
New Delhi (From 01.09.2020)*



Ms Gurveen Sidhu, IA & AS
*Joint Secretary, Dept. of Fertilizers,
New Delhi (Upto 31.08.2020)*

INDEPENDENT DIRECTORS



Prof. Anil Kumar Singh



Dr. Shambhu Kumar



Smt. Shashi Bala Bharti
(From 25.06.2020)

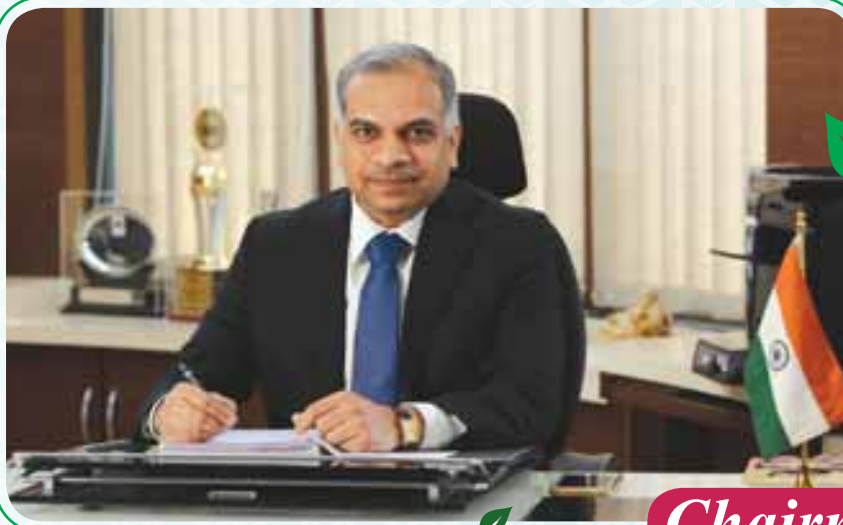


Shri Suryanarayana Simhadri
(Upto 07.03.2020)

COMPANY SECRETARY



Shri J. B. Sharma



Chairman's Message

Dear Shareholders,

At the outset, I hope you and your family members are safe during these difficult times of COVID-19 pandemic. As India faces one of its biggest challenges caused by the COVID-19 related disruptions, the importance of agriculture has been brought to the fore more than ever. The sector has remained relatively insular from the demand point of view with increased Kharif crop sowing, timely harvesting and swift technology adoption across the supply chain. Indian agriculture witnessed an impressive year 2019-20 and as per the preliminary estimates recorded highest ever food grain and horticulture production during the year. As per the provisional estimates released by the National Statistical Office, the agriculture sector is expected to be amongst the fastest growing segments during the year and holds immense potential towards driving domestic economic growth, ensuring food security, generating significant employment and export opportunities.

I would like to commend the Government's proactive approach in dealing with the pandemic situation. These are unprecedented times for the world at large - unlike the earlier crisis that have been predominantly financial in nature, the present COVID-19 induced uncertainty has its economic, social, and political consequences. Globally, nations have been collaborating on healthcare aspects, and I am hopeful that the current situation will throw up newer opportunities. Since the lockdown, your Company has been following a rigorous approach through periodic scenario planning activities, while maintaining utmost focus on the safety and well-being of its workforce and our manufacturing facilities.

COVID-19 has thrown open a new "normal" as the growing health consciousness among the consumers is changing dietary patterns, with a focus on sustainable ways of farming and improved nutrition. With India being the second-largest agricultural producer in the world, these structural shifts present significant growth opportunities in domestic and export markets.

Overview of the Economy

As per National Statistical Office (NSO), India's Gross Domestic Product (GDP) grew at 4.2% in 2019-20, lower than the 6.1% registered in 2018-19, partly on account of global economic slowdown. The COVID-19 pandemic and nationwide

lockdown has adversely impacted economic activity in the last month of the fiscal year, especially manufacturing, services and construction industry.

Overview of the Fertilizer Industry

Overall fertilizers production in India has increased by 2.7% during financial year 2019-20 after registering muted growth in the last three fiscal years. Improvement in demand due to a good southwest monsoon resulted in higher sowing and increase in production. Imports have increased sharply by 16.6% supported by the increase in urea imports which constitutes around 40% of the total fertilizer imports. Overall Fertilizers Sales too have increased by 22% buoyed by a good monsoon and harvest season.

Production of urea in India increased marginally by 1.3%, on account of efficiencies of scale achieved by urea manufacturers even with the temporary shutdown of certain manufacturing units during the year. Imports have risen by 22.5% to counter the shortfall in domestic production. Urea sale during the year has been positive and has increased by 16.7%. Softening of raw material prices and a low base has aided in increasing domestic DAP production by 16.7%. Increase in production has led to a decline in imports by 26.2%. DAP sale during the fiscal year has increased by 9.5%.

MOP imports have fallen by 13% and sale has decreased marginally by 1.3%. The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased by 4.4%. The production of NPK has fallen by 3.76% and imports have increased by 36.63% to counter the shortfall in domestic production. Sale had increased by 10%.

As per the New Domestic Gas Policy, the Government revises the domestic natural gas price every six months i.e. April-September and October-March. During FY20 the price of domestic natural gas was USD 3.69/mmBtu during H1-FY20 and USD 3.23/mmBtu during H2-FY20. Currently (H1-FY21) the price for gas produced from local fields has been revised to USD 2.39/mmBtu which is the lowest price ever set as per the New Domestic Gas Policy.

Corporate Overview of the Company

During the year, your Company achieved Revenue from operations of ₹ 9697.95 crore as against ₹ 8885.47 crore in

previous year (PY). Despite considering revision in fixed cost as per modified NPS-III w.e.f. 2nd April, 2014 during the year under subsidy income and higher sales & margins of Complex Fertilizers and traded products, Profit before Tax (PBT) during the year, stood at ₹ 202.93 crore as against ₹ 235.25 Crore due to provision towards exceptional items of ₹ 100.17 crore on account of downward revaluation of transferrable development rights and increase in finance cost. Profit after Tax (PAT) stood at ₹ 208.15 crore as against ₹ 139.17 Crore as your Company exercised its option to pay Income-Tax at lower rate as per Finance Act Amendment Bill 2019 – Income Tax Section 115BBA.

Your Company achieved sales volume of 33.01 lakh MT during 2019-20 as compared to 30.49 lakh MT during the previous year. The total sale of manufactured fertilizers during 2019-20 was 29.65 lakh MT as against 29.15 lakh MT during the previous year. Sales of manufactured fertilizers registered moderate increase of 1.72% over previous year. During the year, your Company has achieved highest ever sale of 6.08 lakh MT of Suphala 15:15:15 and 0.403 lakh of City Compost. Your company increased the sale of traded fertilizers from 1.33 lakh MT during FY 2018-19 to 3.34 lakh MT during FY 2019-20.

Your Company produced 29.19 lakh MT of fertilizers (23.48 lakh MT of Urea & 5.71 lakh MT of Suphala 15:15:15) during the year as against 29.36 lakh MT of fertilizers (23.75 lakh MT of Urea & 5.61 lakh MT of Suphala 15:15:15) produced during the previous year.

New Products Launched During The Year

Our strong R&D team has been analysing soil, weather, and crop data through various new-age technologies, in order to empower the farmers with predictive farming skills. I am pleased to announce that, as the result of sustained efforts in Research & Development, your Company has launched 2 new products during the year - Organic Growth Stimulant and Soluble Silicon Fertilizer. Organic Growth Stimulant, launched on November 21, 2019, is an organic product which promotes integrated nutrient management system, enhances yield and enhances the effectiveness of conventional mineral fertilizers. R&D also successfully launched on January 23, 2020, Soluble Silicon Fertilizer, a mixture of Silicon and Potassium which enhances plant resistance and tolerance to various biotic and abiotic stresses.

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 2019-20 and hope to see you on December 30, 2020 at the 42nd Annual General Meeting of the Company.

Going forward

The underlying macros for the Indian fertilizer industry look promising despite the coronavirus pandemic and macroeconomic uncertainty. With surplus water reservoir levels, forecasts for a good kharif crop and plentiful rainfall forecast during current monsoon season, demand for the procurement of fertilizers seems promising. Sales have increased sharply by 45.1% during the first two months of financial year 2020-21 and going forward with the recent proposals under the 'Aatmanirbhar Bharat' package which is expected to boost the domestic manufacturing sector, the outlook for the rest of financial year 2020-21 seems sanguine for the industry.

The Direct Benefit Transfer (DBT) in fertilisers has stabilised, however, the delays in getting the subsidy amount remains to be a matter of concern for the industry. Higher MSP procurement, timely PM-KISAN disbursement, high offtake of seeds and the prioritization of agriculture and businesses involved in the food chain by the Government will support the demand/sale of fertilizers in the coming days. The overall fertilizer production is expected to grow by 3-4% by the end of financial year 2020-21. We expect production to increase in the coming months on the back of strong demand and softening of raw material prices.

On the environmental side, RCF has continued to expand the green belt coverage at the plant locations and its commitment towards society remains firm. Going forward, your Company will continue to strengthen its customer engagement initiatives and leverage technology for developing sustainable, cost-effective solutions for the farmers.

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. Our employees are the backbone of our operations and it is only because of their support and commitment that your company could achieve good results. I am thankful to all the stakeholders of RCF, our valued customers and service providers for their relentless faith in the company. Finally, on behalf of the Board, I would like to thank each one of you, our valued shareholders and the RCFian family, for your unwavering support in our journey to deliver value to all our stakeholders.

Thank you, ladies and gentlemen.

S. C. Mudgerikar
Chairman & Managing Director

Mumbai
Dated : August 11, 2020



*RCF launches new product
"Organic Growth Stimulant"*



*RCF launches new product
"Soluble Silicon Fertilizer"*

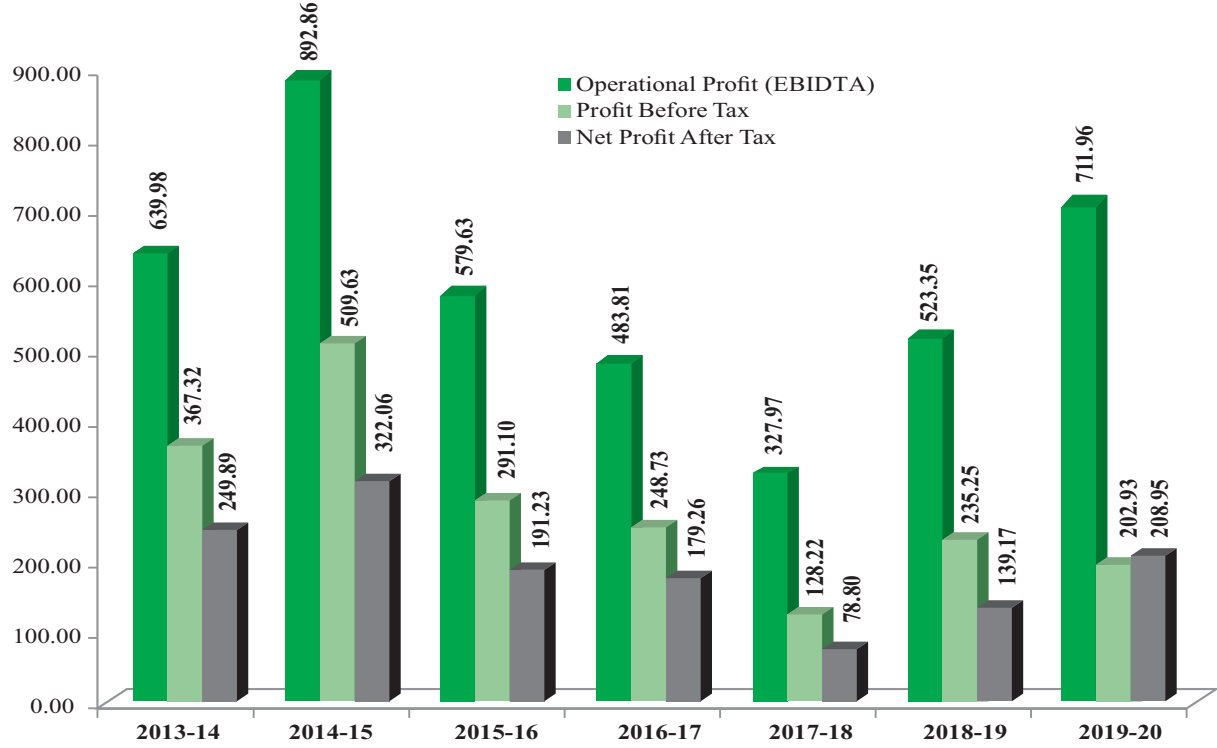
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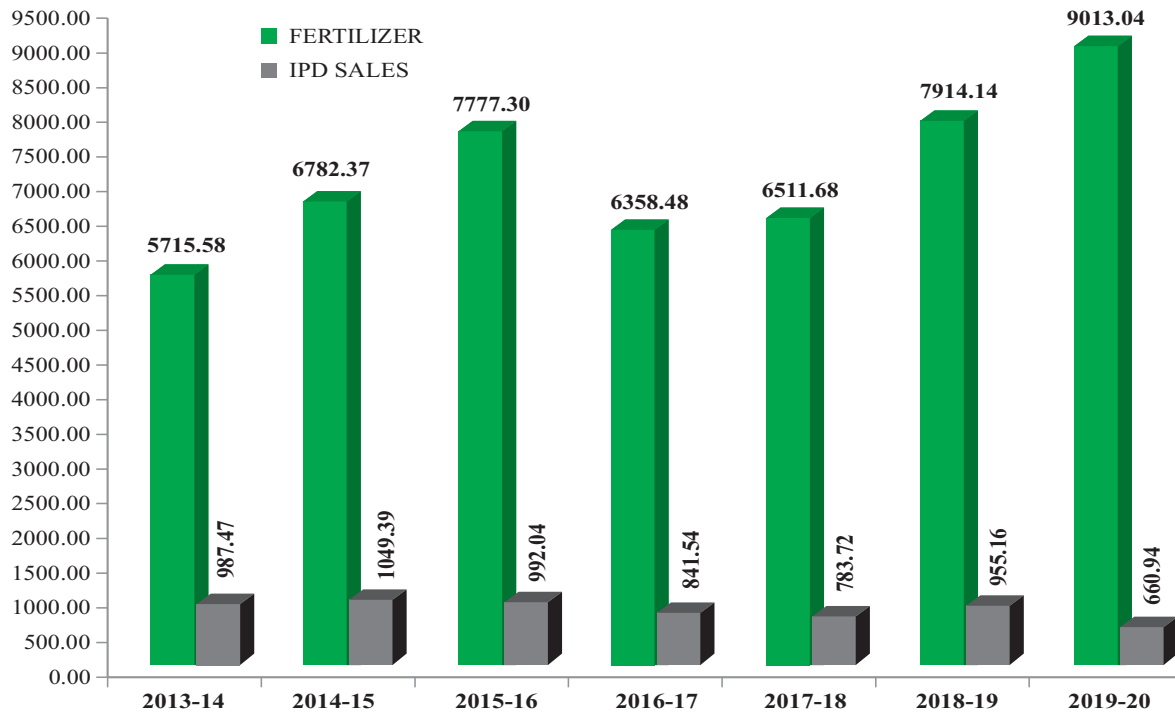
FINANCIAL HIGHLIGHTS AT A GLANCE

Sl. NO	PARTICULARS	As per IND AS										As per revised Schedule VI										₹ in crore				
		2019-20	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										
1	Gross Turnover (Gross Sales+ Subsidy + Other Income)	10017.39	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										
2	Revenue From Operations (Net)	9697.95	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										
3	Profit before Interest, Depreciation and Tax (EBIDTA)	711.96	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										
4	Depreciation	171.04	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										
5	Finance Cost	237.82	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										
6	Prior year Adj. - Expenses / (Income)	0.00	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)										
7	Exceptional Items	100.17	(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										
8	Profit / (Loss) Before Tax	202.93	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										
9	Tax Provision (Net of Adj.)	(5.22)	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										
10	Profit / (Loss) After Tax	208.15	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										
11	Dividend Declared																									
	Dividend Rate %	28.40	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										
	Dividend Amount :	156.68	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										
	Dividend Payout Ratio %	75.27	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										
12	Working Capital	1416.72	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										
13	Capital Employed	3770.97	3853.36	3490.07	3165.12	2961.59	3196.10	2998.40	2616.38	2513.19	1831.12	3176.37	2973.17	2472.58	2449.97	1756.80										
14	Net Worth	3186.27	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										
15	RATIOS																									
	Current Ratio [CA : 1]	1.24	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										
	Debt Equity Ratio [Debits : 1]	0.23	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										
	Debt Service Coverage Ratio (Times)	1.86	1.70	2.36	2.38	1.51	4.78	3.15	4.55	5.29	4.26	6.95	4.72	5.91	7.50	17.68										
	Interest Service Coverage Ratio (Times)	2.99	3.36	5.24	5.15	4.07	7.63	4.87	7.27	11.51	8.07	6.95	4.72	5.91	7.50	17.68										
	EBIDTA to Capital Employed %	18.88	13.58	9.40	15.29	19.57	27.94	21.34	24.53	22.59	29.12	13.84	17.59	15.82	14.93	16.19										
	PBT to Capital Employed %	5.38	6.11	3.67	7.86	9.83	15.95	12.25	14.53	14.90	19.37	10.84	10.95	9.79	9.86	12.28										
	PAT to Capital Employed %	5.52	3.61	2.26	5.66	6.46	10.08	8.33	10.74	9.92	13.39	7.39	7.12	6.40	6.07	8.42										
	PBT to Net Worth %	6.37	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										
	PAT to Net Worth %	6.53	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										
	PAT to Equity %	37.73	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										
	Earning Per Share After Tax (Rs.)	3.77	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										
	EBIDTA to Turnover %	7.11	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										

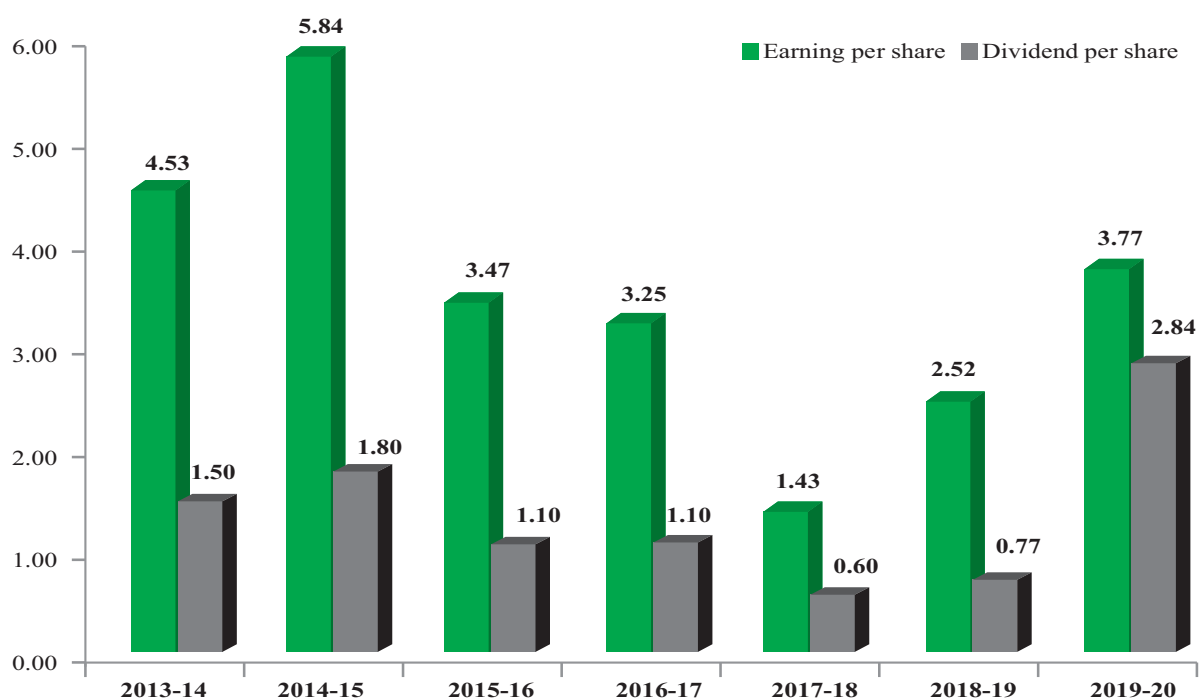
OPERATIONAL PROFIT (EBIDTA), PBT AND PAT (₹ CRORE)



FERTILIZER AND IPD SALES (₹ CRORE)



EARNINGS & DIVIDEND PER SHARE (₹)



CAPITAL EMPLOYED & NET WORTH (₹ CRORE)

