आर सी एफ

साथ बढ़ें समृद्धि की ओर

43rd Annual Report 2020-21

Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

Signing of MoU for Technology Transfer of Nano Urea (Liquid) production by IFFCO to RCF & NFL

RCF installed PSA based Oxygen Generator Unit at Shatabdi Hospital, Mumbai under CSR Scheme

BOARD OF DIRECTORS

WHOLE - TIME DIRECTORS

Shri S. C. Mudgerikar
Chairman & Managing Director

Shri Umesh Dongre
Director (Finance)

Shri K. U. Thankachen
Director (Marketing)

Shri Sudhir D. Panadare
Director (Technical) (upto 31.05.2021)

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

INDEPENDENT DIRECTORS

Prof. Anil Kumar Singh

Dr. Shambhu Kumar

Smt. Shashi Bala Bharti

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. Fertilizer and agriculture sectors provided much needed strength to Indian economy during the 1st wave of COVID-19.

Apart from providing fertilizers, the domestic fertilizer industry also extended all possible help and support to the country in fighting COVID crisis including contribution to PM Care Fund, providing direct help to the citizens affected by COVID during lockdown. Many of the fertilizer companies are setting up plants for medical grade oxygen to tide over the present oxygen crisis in the country. The fertilizer industry is fully committed to work with the government in these difficult times.

Overview of the Economy

Indian economy had started recovering from the shocks of 1st wave of COVID-19 pandemic which resulted in estimated negative growth of about 8% for the year 2020-21. But, the country again got affected by the sudden spurt of 2nd wave of COVID-19 in April, 2021 with much higher intensity. This has impacted the pace of recovery. Luckily, unlike the 1st wave in 2020 when the entire nation was locked down for a considerable stretch, so far the COVID-related restrictions are being implemented selectively in different parts of the country. It is expected that on account of measures undertaken by the Government, the impact on economy would be mitigated to some extent.

As per the second advance estimates of national income 2020-21, agriculture and allied sector registered a positive growth of 3% during financial year 2020-21 over the previous year. Apart from normal monsoon for the second consecutive year, growth in agriculture was also supported by slew of measures by the central and state governments to facilitate uninterrupted agricultural activities throughout the country. These included exemption of agriculture related activities from COVID linked lockdown, enhanced credit availability, higher level of procurement and financial support through number of other programmes under Atma Nirbhar Bharat.

Overview of the Fertilizer Industry

Overall sales of fertilizers have increased by 7.09% during financial year 2020-21 as against financial year 2019-20. Sales of Urea, DAP, NPKS and MOP have increased by 4.55%, 2.13%, 16.84% and 19.06% respectively during financial year 2020-21 as against financial year 2019-20. Initially at the start of 2020-21, additional buying by farmers and dealers. The momentum in sales has been sustained due to a favourable monsoon season, which has led to good crop sowing.

Overall fertilizers production has increased by 1.82 % during financial year 2020-21 as against financial year 2019-20. The country witnessed an on-time arrival of Southwest monsoon, followed by a quick spread across the region which has resulted in higher sowing thus augmenting the sales of fertilizers which has led to an increase in production. Increase in production can also be ascribed to restocking activities undertaken by the manufacturers in order to keep up with the sharp increase in fertilizer sales witnessed during the year. Imports have increased sharply by 14.29% due to increase in demand.

Production of urea increased by 0.60% during the financial year 2020-21 as against financial year 2019-20 due to favourable weather and market conditions. Urea is largely sourced domestically however, high demand necessitated imports which rose sharply by 7.72% to supplement the domestic production.

DAP production fell by 17.05% during financial year 2020-21 as against financial year 2019-20. Decline in production can be attributed to the shortage of raw material and increase in prices of inputs. Imports on the other hand have risen by 2.13% in financial year 2020-21 as against financial year 2019-20.

MOP imports have increased sharply by 23.09% during financial year 2020-21 as against financial year 2019-20. India meets its Potassium chloride (commonly referred to as Muriate of Potash or MOP) requirements completely through imports from Canada, Russia, CIS+ Belarus, Israel, Jordan and Lithuania.

NPK imports have increased sharply by 102.13% during financial year 2020-21 as against financial year 2019-20. The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased sharply by 16.04 % during financial year 2020-21 as against financial year 2019-20. SSP is a cheaper alternative to DAP.

Fertilizer sector is intimately tied up with agriculture and witnessed positive growth in financial year 2020-21. Government facilitated uninterrupted production, movement and sale of fertilizers throughout the crisis period. Fertilizer sector also got additional allocation of ₹ 65,000 crores as one-time package to clear the long pending subsidy dues of the fertilizer industry. This helped in improving the industry's liquidity position. This in turn enabled industry to maintain production of fertilizers.

Corporate Overview of the Company

During the year, your Company achieved Revenue from Operations of ₹ 8281.18 crore as against ₹ 9697.95 crore in previous year (PY). Despite Revenue from operations being lower, on account of lower gas prices, resulting in lower subsidies of Urea, Company achieved a record revenue of ₹ 1138.48 crore during the year from its industrial chemicals segment which is highest ever since inception. Your Company has reported the highest ever Profit Before Tax (PBT) of ₹ 516.17 crore for the financial year 2020-21 as compared to ₹ 202.93 crore for the previous year registering a growth of more than 154%. The previous highest PBT was ₹ 509.63 crore in the year 2014-15. Profit after tax for financial year 2020-21 surged to ₹ 373.11 crore from Rs 208.15 crore in previous year registering an increase of 79.25%, as the Company gained from improved energy efficiencies, improved productivity, better margins of industrial chemicals and reduction in finance cost.

Owing to settlement of back log of subsidy claims under special budget allocation by Government of India in the last quarter of the year, there has been a substantial reduction in subsidy receivables and receivables for urea imports on account of Government. This resulted in reduction in short term borrowings and subsequent reduction in finance cost by 24.49% y-o-y to ₹ 179.57 Crore from ₹ 237.82 Crore.

Your Company achieved fertilizer sales volume of 31.35 lakh MT during financial year 2020-21 as compared to 33.01 lakh MT during the previous year. The Total sale of manufactured fertilizers during financial year 2020-21 was 28.05 lakh MT as against 29.65 lakh MT during the previous year. Sales of manufactured fertilizers registered decrease of 5.41 % over previous year owing to some impact of Covid 19 on plant operations during initial period of first wave which severely affected Mumbai and surrounding areas where our plants are located.

Your Company produced 27.87 lakh MT of fertilizers (22.50 lakh MT of Urea & 5.37 lakh MT of Suphala 15:15:15) during the year as against 29.19 lakh MT of fertilizers (23.48 lakh MT of Urea & 5.71 lakh MT of Suphala15:15:15) produced during the previous year.

Despite revenue from operations being lower on account of lower gas prices resulting in lower subsidies of urea, your company achieved revenue of ₹ 1138.48 crore during the year from it's Industrial Chemicals Segment which is highest ever since inception

During the year, your Company has achieved:

- Yearly highest ever sale of 50,930 MT City compost. (Previous best being 40,329 MT in the FY 20).
- Highest ever sale of 347 KL of Microla.
- Second Highest sale of 7100 MT of Sujala (Indigenous & Imported).
- Highest ever sale of AN melt of 1.399 LMT (Previous best being 1.311 LMT in the year 2018-19).
- Highest ever yearly production of Tri Methyl Amine (TMA) of 2475 MT (Previous best being 2416 MT in 2011-12).

Dividend

Although your Company has lined up a number of capex programmes which will entail substantial expenditure, considering the consistent profits being made by the Company and based on the Company's performance, your Directors are please to recommend a final Dividend of ₹1.78 per equity share of ₹10/- each for the financial year 2020-21. Your Board had earlier approved payment of interim dividend of ₹1.20 per equity share of ₹10/- each for the financial year 2020-21, at its meeting held on February 5, 2021 and same was paid on March 2, 2021. The total dividend for the financial year 2020-21 amounts to ₹ 2.98 per equity share (Previous year ₹ 2.84 per equity share), and would involve a total cash outflow of ₹ 164.40 Crore consisting ₹ 66.20 crore as interim dividend and ₹ 98.20 crore as final dividend (₹ 156.68 Crore in the previous year). The final dividend pay-out is subject to the approval of members at the ensuing Annual General Meeting.

Atmanirbhar Bharat

Under 'Atmanirbhar Bharat', your Company has started Methanol plant at Trombay. Sale of Methanol will improve our turnover and profitability. Enhancement of existing production capacity of AN Melt & improved energy consumption has been proposed. Sale of high volume products like Ammonia, AN(Melt) & DNA will facilitate improvement in turnover as well as profitability. Maximizing sale of SNA 72% & 68% will support in improving Profitability.

Projects

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

- 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.

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.

On July 27, 2021, in presence of Hon'ble Union Minister of Health & Family Welfare and Chemicals and Fertilizers Shri Mansukh Mandaviya and Hon'ble Minister of State for New and Renewable Energy and for Chemicals and Fertilizers, Shri. Bhagwanth Khuba, MoU has been signed between M/s RCF and M/s IFFCO for technology transfer for manufacture of Nano Urea liquid fertilizer.

I am delighted to present the Annual Report for the FY 21 and hope to see you on October 28, 2021 at the 43rd Annual General Meeting of the Company.

Going forward

Rural demand and markets have been buoyed and are very promising despite the coronavirus pandemic and macroeconomic uncertainty. This has translated in improving the underlying macros for the Indian fertilizer industry. Agricultural operations have been well placed and supported by a bumper Rabi harvest and good monsoon during the Kharif season. With surplus reservoirs levels, record high kharif crop sowing and plentiful rainfall during the monsoon season, demand for the procurement of fertilizers has been promising till date.

Going forward with the increase in liquidity of farmers and good moisture level in the soil we expect a very good Rabi season. Keeping this in mind, the demand outlook for fertilizers for the rest of financial year 2020-21 seems positive.

With the forecast of normal monsoons and the rollout of COVID vaccination program in the coming months, we expect the economic activities to normalize during the financial year 2021-22. Currently, IMD is forecasting a normal monsoon, This will lead to the acreage being favourable as well. So from that standpoint, we should see the consumption and the growth in demand to continue.

With lowering of the debt and the associated interest costs, the cash generation and the credit profile of the industry would improves substantially. For financial year 2021-22, profitability is expected to remain healthy for the industry, given the expectations of a normal monsoon for the upcoming kharif season. Additionally, the agri-economy has witnessed strong performance in financial year 2020-21 with healthy farm incomes, and we expect the benefit of the current year to rub off on the next fiscal as well. However increase in the prices of raw material for NPLC fertilizers will be challenge.

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, employees of the Company, Trade Unions, Officers Associations 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 : September 18, 2021

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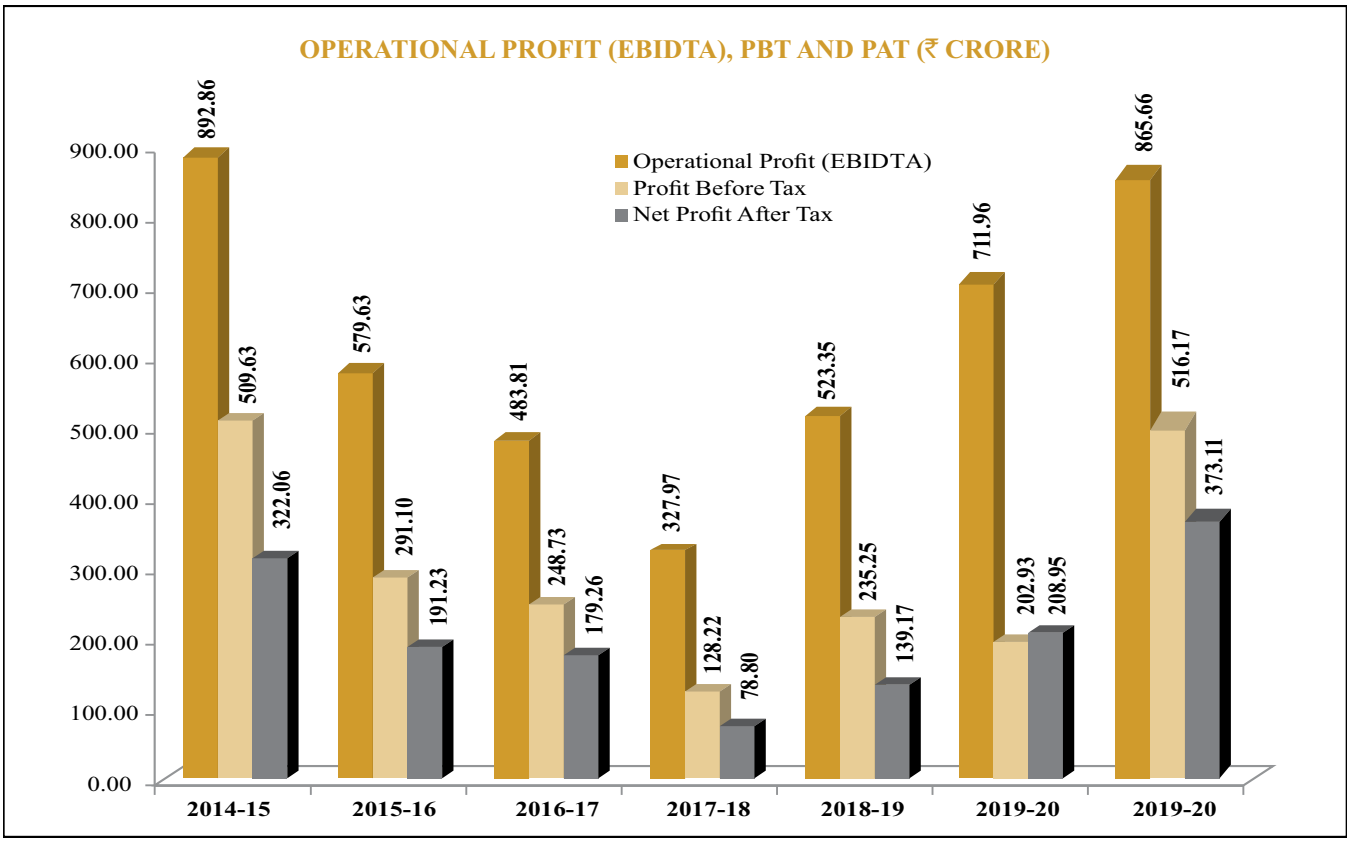
FINANCIAL HIGHLIGHTS AT A GLANCE

₹ in crore

Sl. NO	PARTICULARS	2020-21	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
		As per IND AS				As per revised Schedule VI										
1	***GrossTurnover*** (Gross Sales+ Subsidy + Other Income)	***8670.67***	***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***
2	Revenue From Operations (Net)	8281.18	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
3	"Profit before Interest, Depreciation and Tax (EBIDTA)"	865.66	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
4	Depreciation	174.63	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
5	Finance Cost	179.57	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
6	***Prior year Adj. - Expenses / (Income)***	***0.00***	***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***
7	Exceptinal Items	(4.71)	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
8	***Profit / (Loss) Before Tax***	***516.17***	***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***
9	Tax Provision (Net of Adj.)	143.06	(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
10	**Profit / (Loss) After Tax**	**373.11**	**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**
11	**Dividend Declared**															
	Rate %	29.80	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
	Amount :	164.40	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
	Dividend Payout Ratio %	44.06	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
12	Working Capital	1656.14	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
13	***Capital Employed***	4024.42	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
14	***Net Worth***	**3338.47**	**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**
15	RATIOS															
	Current Ratio [CA : 1]	1.65	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
	Debt Equity Ratio [Debts : 1]	0.37	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
	Debt Service Coverage Ratio (Times)	2.26	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
	Interest Service Coverage Ratio (Times)	4.82	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
	EBIDTA to capital employed %	21.51	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
	PBT to Capital Employed %	12.83	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
	PAT to Capital Employed %	9.27	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
	PBT to Net Worth %	15.46	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
	PAT to Net Worth %	11.18	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
	PAT to Equity %	67.63	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
	Earning per share After Tax (Rs.)	6.76	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
	EBIDTA to Turnover %	9.98	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


OPERATIONAL PROFIT (EBIDTA), PBT AND PAT (₹ CRORE)
Operational Profit (EBIDTA)
Profit Before Tax
Net Profit After Tax
900.00
800.00
700.00
600.00
500.00
400.00
300.00
200.00
100.00
0.00
892.86
509.63
322.06
579.63
291.10
191.23
483.81
248.73
179.26
327.97
128.22
78.80
523.35
235.25
139.17
711.96
202.93
208.95
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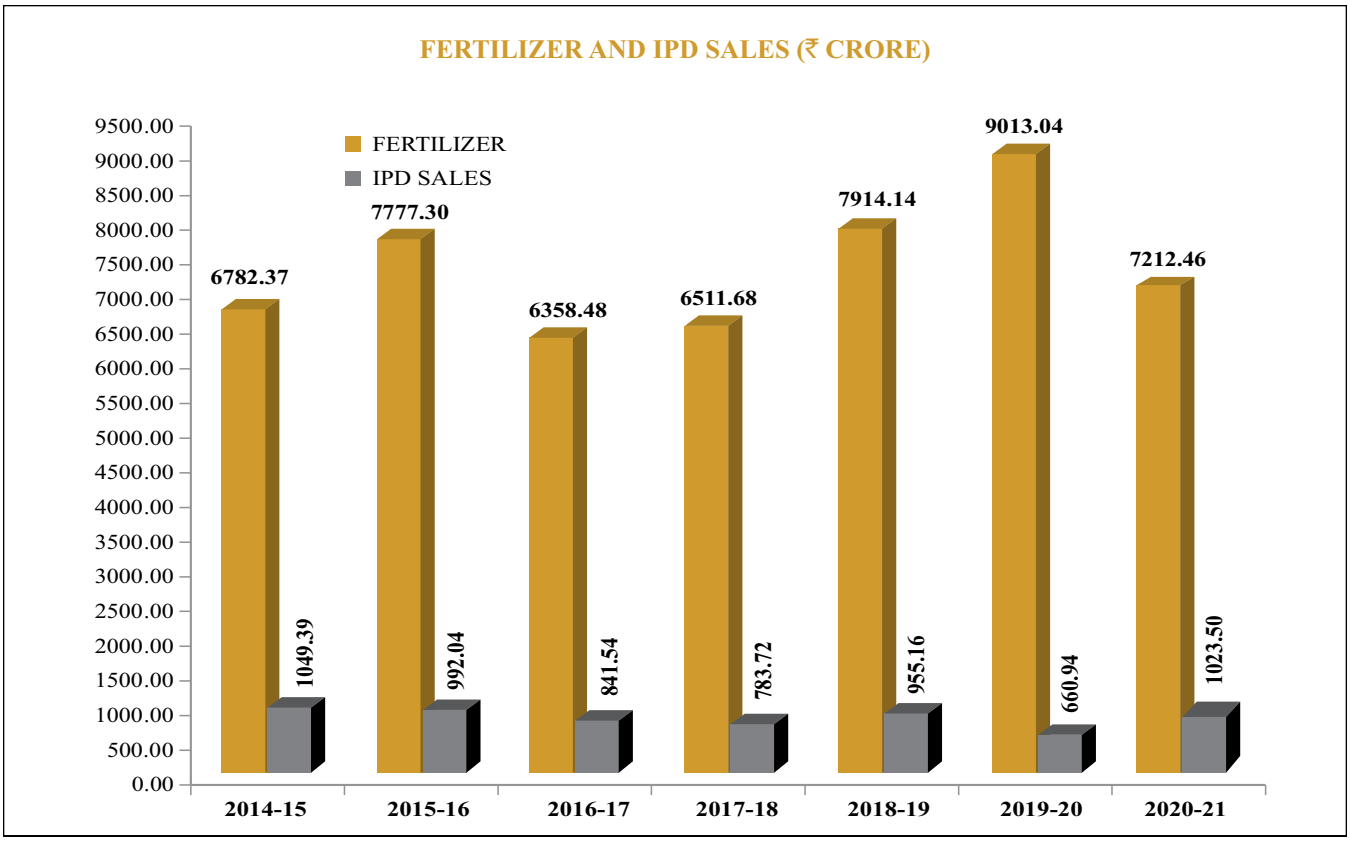
516.17
373.11
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
2019-20


FERTILIZER AND IPD SALES (₹ CRORE)
FERTILIZER
IPD SALES
9500.00
9000.00
8500.00
8000.00
7500.00
7000.00
6500.00
6000.00
5500.00
5000.00
4500.00
4000.00
3500.00
3000.00
2500.00
2000.00
1500.00
1000.00
500.00
0.00
6782.37
1049.39
7777.30
992.04
6358.48
841.54
6511.68
783.72
7914.14
955.16
9013.04
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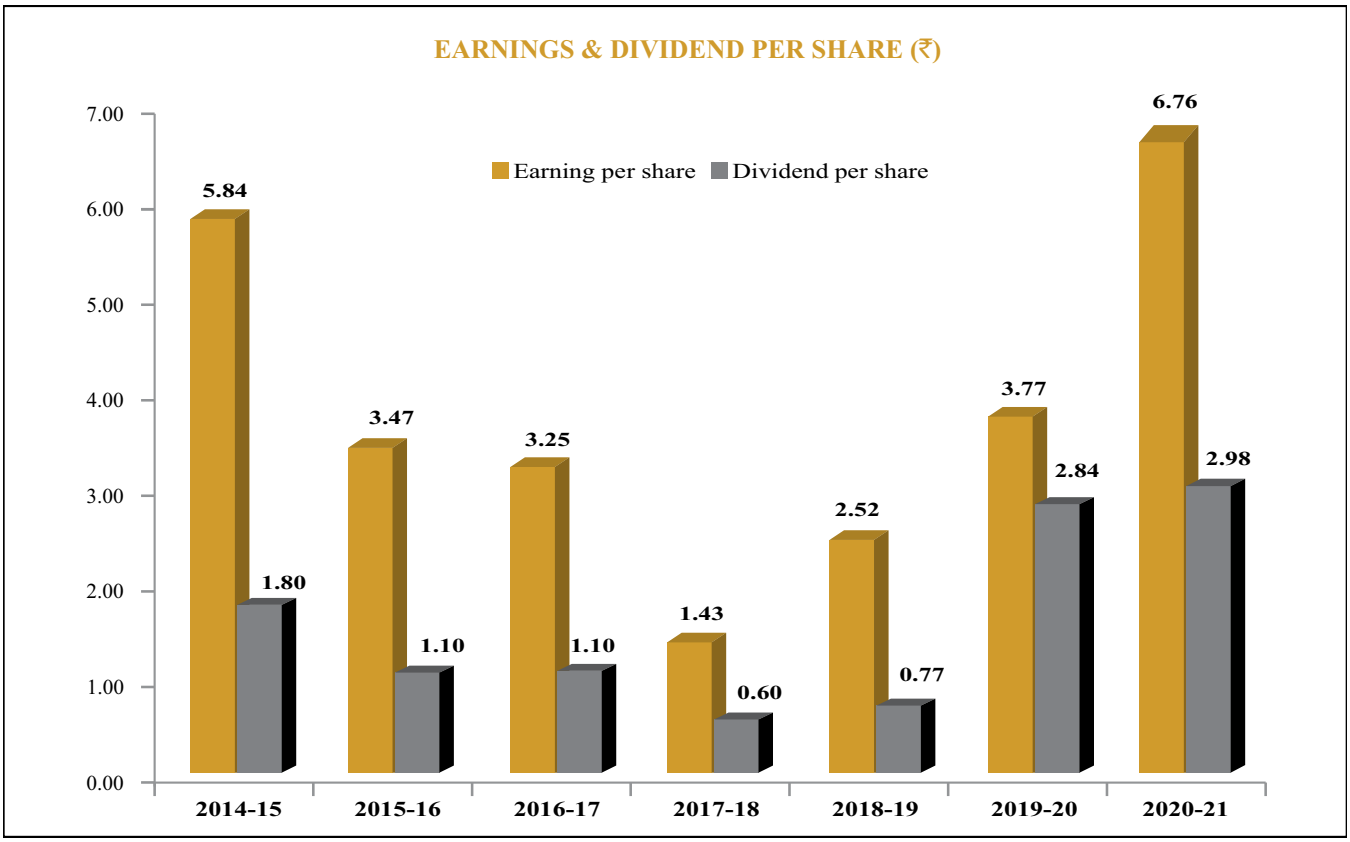
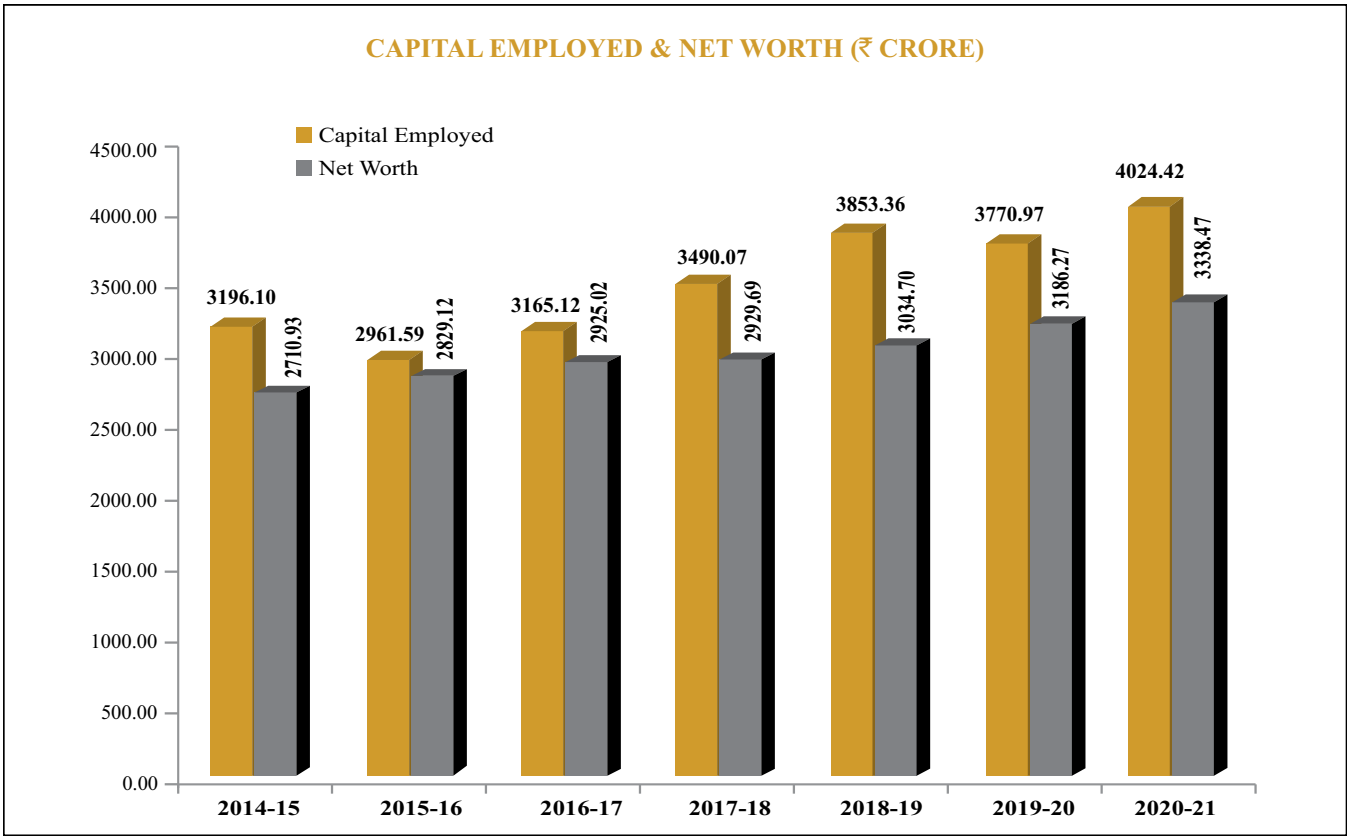
1023.50
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21


EARNINGS & DIVIDEND PER SHARE (₹)
Earning per share
Dividend per share
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
5.84
1.80
3.47
1.10
3.25
1.10
1.43
0.60
2.52
0.77
3.77
2.84
6.76
2.98
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21


CAPITAL EMPLOYED & NET WORTH (₹ CRORE)
Capital Employed
Net Worth
4500.00
4000.00
3500.00
3000.00
2500.00
2000.00
1500.00
1000.00
500.00
0.00
3196.10
2710.93
2961.59
2829.12
3165.12
2925.02
3490.07
2929.69
3853.36
3034.70
3770.97
3186.27
4024.42
3338.47
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20
2020-21