



साथ बढ़ें समृद्धि की ओर

44th ANNUAL REPORT 2021-22

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

(A Government of India Undertaking)



Hon'ble Union Minister of Chemicals and Fertilizers, Dr. Mansukh Mandaviya lays foundation stone for 'Nano Urea project' at the RCF Trombay Unit, Mumbai



Hon'ble Union Minister of Chemicals and Fertilizers, Dr. Mansukh Mandaviya lays foundation stone for 'Phosphate Rich Organic Manure (PROM)-SHEETALA' project at the RCF Trombay Unit, Mumbai

BOARD OF DIRECTORS

WHOLE - TIME DIRECTORS



Shri S. C. Mudgerikar
Chairman & Managing Director



Ms Nazhat J. Shaikh
Director (Finance) (from 01.12.2021)



Shri Milind M. Deo
Director (Technical) (from 27.12.2021)



Shri K. U. Thankachen
Director (Marketing) (upto 31.07.2022)



Shri Umesh Dongre
Director (Finance) (Upto 30.11.2021)

GOVERNMENT NOMINEE DIRECTORS



Shri Satendra Singh, IAS
Addl. Secretary & Financial Advisor,
Dept. of Fertilizers, New Delhi,
(from 20.07.2022 to 18.10.2022)



Ms Aneeta C. Meshram, IAS
Joint Secretary, Dept. of Fertilizers,
New Delhi (from 13.11.2022)



Ms. Alka Tiwari, IAS
Addl. Secretary, Dept. of Fertilizers,
New Delhi (upto 14.01.2022)



Ms Aparna S. Sharma, CSS
Joint Secretary, Dept. of Fertilizers,
New Delhi (upto 12.11.2022)

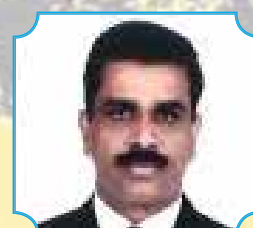
INDEPENDENT DIRECTORS



Smt. Shashi Bala Bharti



Shri Chandra Bhushan Pandey
(From 29.11.2021)



Shri Gopinathan Nair Anilkumar
(from 27.12.2021)



Shri Kashee Nath Akela
(from 01.12.2021 to 12.08.2022)



Prof. Anil Kumar Singh
(upto 06.03.2022)



Dr. Shambhu Kumar
(upto 06.03.2022)

COMPANY SECRETARY



Shri J.B. Sharma

CHAIRMAN'S MESSAGE



Dear Shareholders,

It gives me immense pleasure to present the 44th Annual Report on the performance of your Company for the year 2021-22. The past year 2021-22 was a period of recovery and new uncertainties in equal measure for both the Indian and the global economies. Indian agriculture sector has registered positive growth in the past three consecutive years. The performance of the agriculture and allied sectors has been resilient in the face of impact of COVID 19 and its effects.

As we look forward, World's geopolitical developments in recent times has affected the supply chain which has also pushed up the prices of all fertilizer related commodities. Both government and industry have spared no efforts in arranging supplies of fertilizers in every nook and corner of the country. Government of India has also increased subsidy on fertilizers so that farmers remain unaffected from the skyrocketing prices of fertilizers.

It is expected that normal monsoon rain during the remaining period of the ongoing kharif season will lead to increase in sown area as well as positive growth in fertilizer consumption. Arranging the increased demand of fertilizers will remain a task both for industry and the government. Industry is making all efforts to maximize production. Government has made utmost efforts to facilitate import of fertilizer raw materials and fertilizer products. This will help to maximize domestic production and fill the gap between demand and indigenous production

Overview of the Economy

The Indian economy grew 8.7% in 2021-22, with the gross domestic product (GDP) expanding 4.1% in the March quarter from a year ago. The GDP growth for 2021-22 takes the economy above its pre-pandemic level and is an improvement after contracting 6.6 % in 2020-21. Incidentally, the economic growth during the entire fiscal of 2021-22 has gradually spiralled downwards with each quarter. In the

first quarter of 2021-22, the economic growth had been a stupendous 20.1%, which however was mainly due to the low base effect.

The fiscal year 2023 has begun on a sombre note, in the backdrop of global challenges such as the Russia-Ukraine conflict, the surge in crude oil and commodity prices and renewed lockdowns in China. The estimate of real GDP growth for financial year 2022-23 at 7.2% at the current juncture, amidst expectations of slowing external demand, a gradual increase in capacity utilisation levels through the year, and a recovery in contact-intensive services. The rise in oil and commodity prices have also heightened macro stability risks for the Indian economy. We expect a deterioration in the CAD and the CPI inflation and a mild overshooting in the GoI's fiscal deficit on account of a larger-than-budgeted subsidy burden in financial year 2022-23. The recent excise duty cut on fuels has mitigated some upside risks to the CPI inflation projection and has distinctly lowered the probability of highly front-loaded rate hikes. We foresee the MPC to hike the repo rate by 35 bps each in the August 2022 and September 2022 reviews, followed by a pause to assess the robustness of growth.

The Budget 2022-23 has maintained continued and increased focus on agriculture. The budget aims at boosting farmer's income and the viability of agriculture as a remunerative economic activity. The Government is set to launch public private partnership (PPP) model to incentivise agri-tech players and other stakeholders in the agriculture value chain. The objective is to deliver digital and hi-tech services to farmers, which would enable them to cut costs, find new markets and gain competitiveness in the global markets.

Overview of the Fertilizer Industry

Overall fertilizers production has increased by 0.79% during financial year 2021-22 as against financial year 2020-21 due to increase in production of DAP & SSP. Imports have

decreased sharply by 10.34% due to by the sharp decrease in Urea, NPK and MOP imports.

Production of urea increased by 1.93% during the financial year 2021-22 as against 2020-21 due to favourable weather and market conditions. Urea is largely sourced domestically however, imports were decreased by 7.1% during the year 2021-22.

DAP production increased by 11.80% during financial year 2021-22 as against financial year 2020-21. Imports on the other hand have risen by 11.88% in financial year 2021-22 as against financial year 2020-21.

MOP imports have decreased substantially by 41.80% during financial year 2021-22 as against financial year 2020-21. 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.

Production of NPK have decreased by 10.87% during the financial year 2021-22 against financial year 2020-21. NPK imports have decreased by 15.83% during financial year 2021-22 as against financial year 2020-21.

The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased by 8.76 % during financial year 2021-22 as against financial year 2020-21. SSP is a cheaper alternative to DAP.

Overall sales of fertilizers have decreased by 5.40% during financial year 2021-22 as against financial year 2020-21. Sales of Urea, DAP, NPKS and MOP have decreased by 2.46%, 22.16%, 2.81% and 28.28% respectively during financial year 2021-22 as against financial year 2020-21. The sales of SSP was increased sharply by 26.57% during the financial year 2021-22 against the financial year 2020-21.

Subsidy budget for financial year 2021-22 is deemed to be adequate to meet the requirements of the industry thus keeping the credit profile healthy. Financial year 2022-23 allocation falls short of requirement although GoI's track record of making additional allocations during the year provide comfort. Industry's business profile to remain stable in financial year 2022 with GoI taking timely steps to support the industry. Outlook for financial year 2022-23 appears to be stable on the expectation of enhanced subsidy support from the GoI.

Corporate Overview of the Company

During the year, your Company achieved Revenue from Operations of Rs. 12812.17 crore as against Rs.8281.18 crore in previous year (PY). Profit Before Tax (PBT) during the year, stood at Rs. 943.91 crore as against Rs.527.98 Crore due to improved energy efficiencies at both Units, better margins of Industrial Chemicals and reduction in finance cost. Profit After Tax (PAT) stood at Rs.704.36 crore as against Rs. 381.94 Crore.

Your Company achieved fertilizer sales volume of 30.80 lakh MT during 2021-22 as compared to 31.42 lakh MT during the previous year. The total sale of manufactured fertilizers during 2021-22 was 27.95 lakh MT as against 28.05 lakh MT during the previous year. Sales of manufactured fertilizers registered decrease of 0.34 % over previous year due to production constraints and less availability of material.

Your Company produced 27.56 lakh MT of fertilizers (21.85 lakh MT of Urea & 5.71 lakh MT of Suphala 15:15:15) during the year as against 27.87 lakh MT of fertilizers (22.50 lakh MT of Urea & 5.37 lakh MT of Suphala 15:15:15) produced during the previous year.

Your Company has been designated as State Trading Enterprise (STE) in October 2019 for Import of Urea on Government Account. Based on the instructions of Department of Fertilizers (DoF), your Company imported approx. 45.41 lakh MT quantity of Urea at approx. Rs 19,087 Crore through issue of total six (6 Global tenders during the year 2021-22.

Your Company achieved revenue of Rs.2423.90 crore during the year from its Industrial Chemicals Segment which is highest ever since inception. The increase in sales of IPD products are due to better realisation of lower RLNG prices and resultant reduction in cost of production coupled with increasing demand and focussed marketing strategies

During the year, your Company has achieved:

- » Highest ever sale of 6.39 lakh MT of Suphala-15 (Indigenous + Imported)
- » Highest ever sale of 410 KL of Microla
- » First time marketed Imported NPK 15:15:15 grade and sold 0.52 lakh MT
- » Highest ever sale of AN melt of 1.619 LMT
- » Highest ever sale of Ammonia of 1.73 LMT

Highest ever sale of ABC (Mrudula) of 0.32 LMT

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 pleased to recommend a final Dividend of Rs. 2.50 per equity share of Rs.10/- each for the financial year 2021-22. Your Board had earlier approved payment of interim dividend of Rs.1.35 per equity share of Rs.10/- each for the financial year 2021-22, at its meeting held on November 10, 2021 and same was paid on December 6, 2021. The total dividend for the financial year 2021-22 amounts to Rs. 3.85 per equity share (Previous year Rs.2.98 per equity share), and would involve a total cash outflow of Rs. 212.40 Crore consisting Rs.74.48 crore as interim dividend and Rs.137.92



crore as final dividend (Rs.164.40 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 restarted Phosphoric Acid Plant at Trombay. Your Company has achieved the highest ever sale of AN Melt Plant. Setting up new AN Melt Plant, NPK Fertilizers Plant & Concentrated Nitric Acid Plant have been proposed. Sale of high volume products like Ammonia, AN(Melt) & DNA will facilitate improvement in turnover as well as 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.

I am delighted to present the Annual Report for the financial year 2021-22 and hope to see you on December 23, 2022 at the 44th Annual General Meeting of the Company.

Going forward

For the year 2022-23, the budget allocation for fertilizer subsidy is Rs. 1,05,222 crores. This is higher by more than ₹ 25,000 crores from the BE of 2021-22. Considering the increase in international prices of raw materials and other essential fertilizers, Government of India provided additional subsidy amount of Rs.1.10 lakh crore, in May 2022, to further cushion the impact on the farmers. The revised subsidy is deemed to be adequate to meet the needs of the Industry.

The industry has been continuously striving for ensuring availability through domestic production and imports even at thin or negative margins. P&K sector is almost entirely dependent on import of raw materials due to lack of natural resources of phosphate and potash. This segment of industry has maximized production in spite of challenges of availability and high prices of inputs in international markets. In spite of multifold increase in pooled price of gas for urea sector this year, average cost of production of domestic urea remained roughly about 50% of price of imported urea. This has helped

not only in ensuring supplies but also in saving huge subsidy on urea for the country.

Fertiliser prices are expected to remain at elevated levels amid rising geo-political tensions constraining availability and elevated energy prices. Energy prices remain firm with natural gas prices rising to record highs. Input prices are expected to remain elevated in the near to medium term. Industry's business profile is expected to remain stable in FY2022-23 on the expectation of enhanced subsidy support from the GoI.

The performance of agriculture sector has been very encouraging so far and it will attain new heights with all the measures implemented and initiated by the central and state Governments. In addition to ensuring food security of this vast nation, agriculture will continue to make progress towards sustainability, remunerative operation and increasing contribution to agri exports. Fertilizer industry will continue to play its crucial role in achieving these objectives and success story of agriculture sector.

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: November 04, 2022

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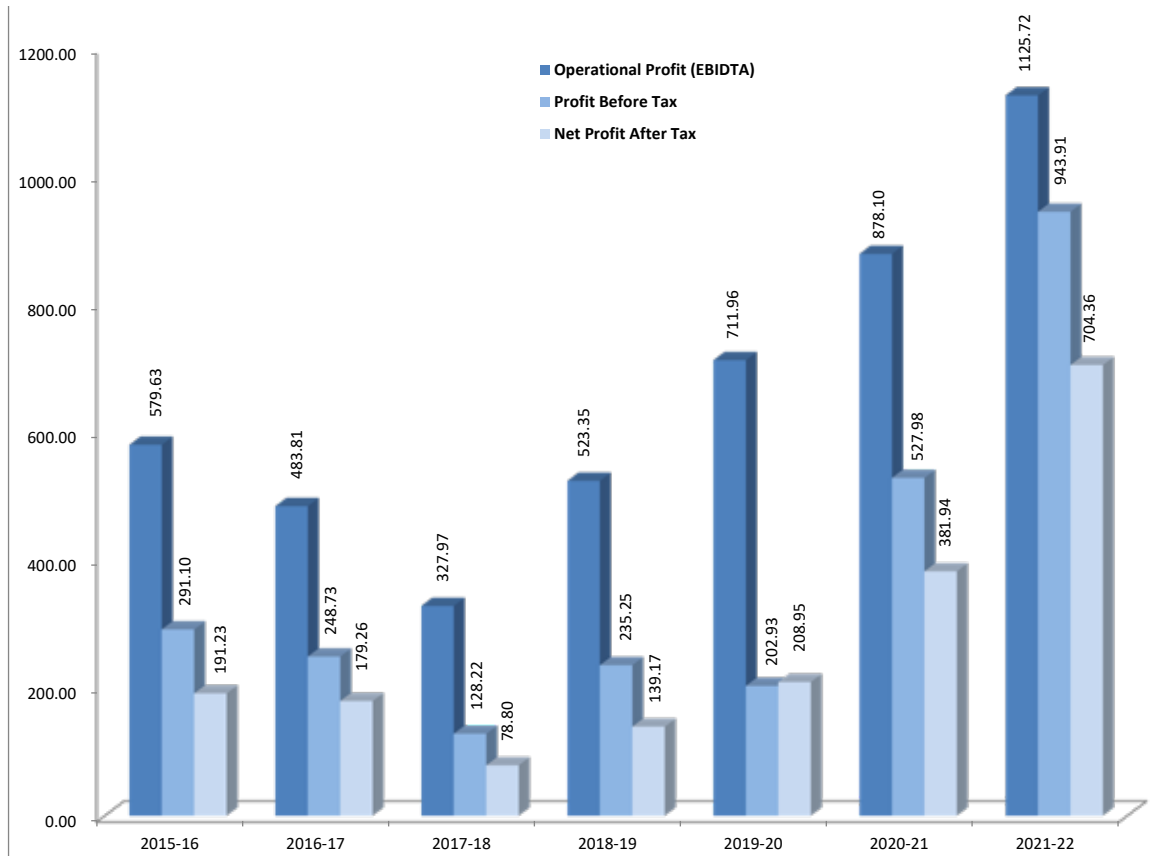
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FINANCIAL HIGHLIGHTS AT A GLANCE

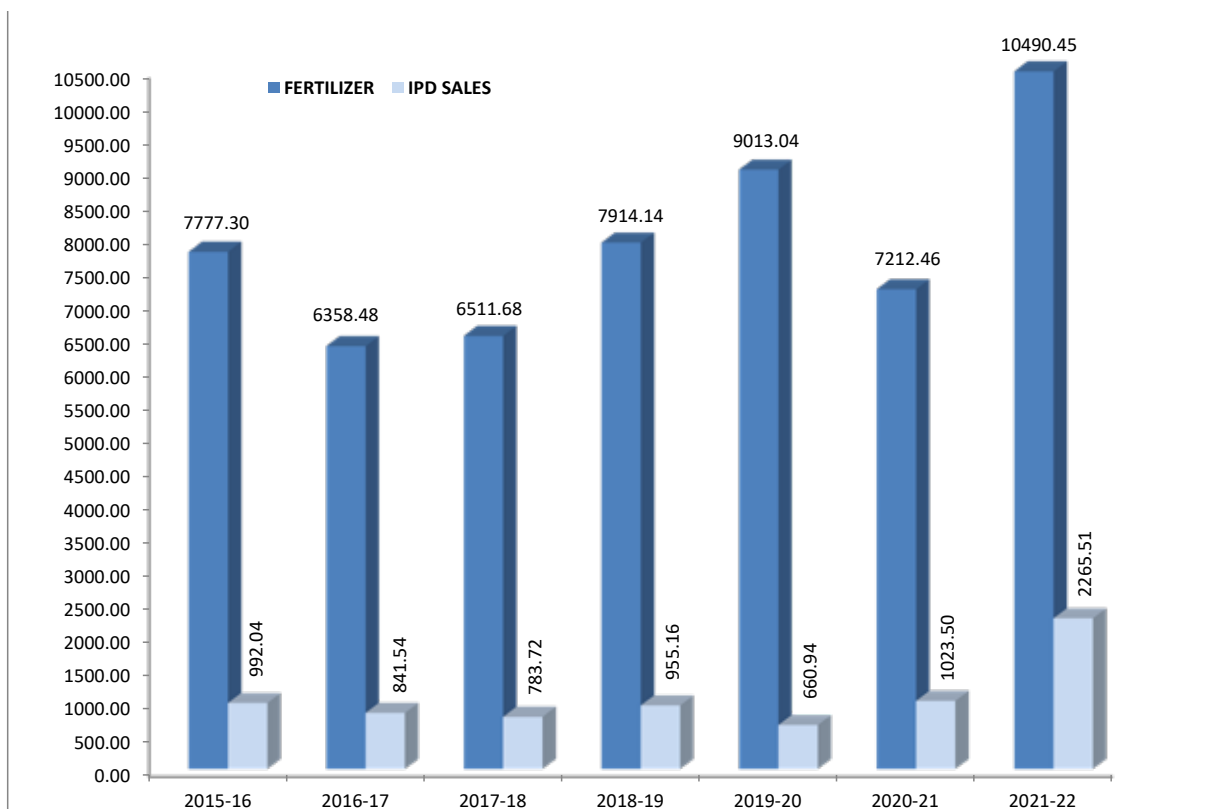
₹ Crore

S. NO	PARTICULARS	2021-22	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
		As per IND AS							As per revised Schedule VI							
1	Gross Turnover (Gross Sales+ Subsidy + Other Income)	13181.19	8664.63	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
2	Revenue From Operations (Net)	12812.17	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
3	"Profit before Interest, Depreciation and Tax (EBIDTA)"	1125.72	878.10	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
4	Depreciation	183.55	175.26	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
5	Finance Cost	125.89	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
6	Prior year Adj. - Expenses / (Income)	0.00	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)
7	Exceptional Items	(127.63)	(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
8	Profit / (Loss) Before Tax	943.91	527.98	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
9	Tax Provision (Net of Adj.)	239.55	146.04	(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
10	Profit / (Loss) After Tax	704.36	381.94	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
11	Dividend Declared						54.78									
	Rate %	38.50	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
	Amount :	212.40	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
	Dividend Payout Ratio %	30.16	43.04	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
12	Working Capital	1707.82	1651.92	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
13	Capital Employed	4039.29	4030.50	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
14	Net Worth	3889.23	3356.70	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
15	RATIOS															
	Current Ratio [CA : 1]	1.41	1.79	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
	Debt Equity Ratio [Debts : 1]	0.35	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
	Debt Service Coverage Ratio (Times)	3.07	2.29	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
	Interest Service Coverage Ratio (Times)	8.94	4.89	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
	EBIDTA to capital employed %	27.87	21.79	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
	PBT to Capital Employed %	23.37	13.10	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
	PAT to Capital Employed %	17.44	9.48	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
	PBT to Net Worth %	24.27	15.73	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
	PAT to Net Worth %	18.11	11.38	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
	PAT to Equity %	127.67	69.23	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
	Earning per share After Tax (Rs.)	12.77	6.92	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
	EBIDTA to Turnover %	8.54	10.13	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

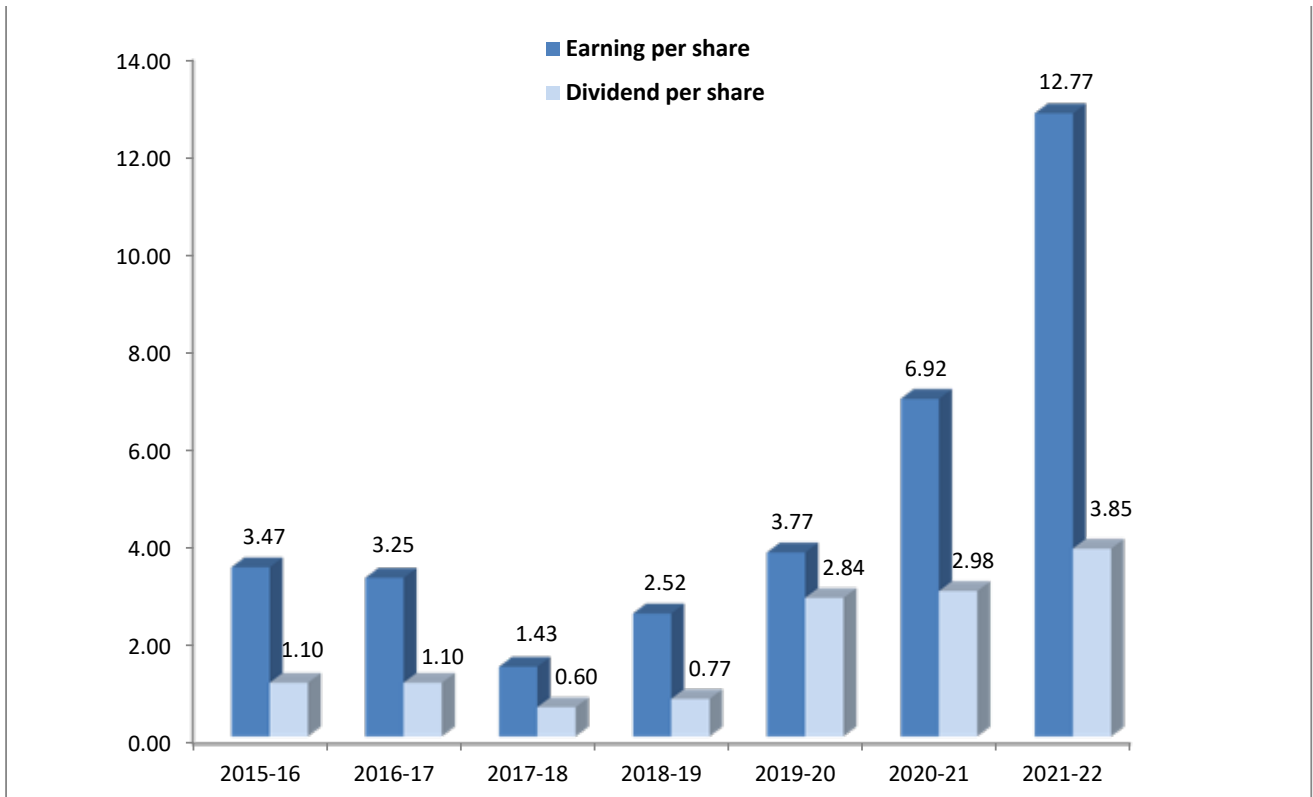
OPERATIONAL PROFIT (EBIDTA), PBT AND PAT (₹ CRORE)



FERTILIZER AND IPD SALES (₹ CRORE)



EARNINGS & DIVIDEND PER SHARE (₹)



CAPITAL EMPLOYED & NET WORTH (₹ CRORE)

