

39th

Annual Report
2012-13

Integrating
Possibilities
for a
Green World

Changeover from **OIL** to **GAS** based technology



नेशनल फर्टिलाइजर्स लिमिटेड
एन.एफ.एल.
NATIONAL FERTILIZERS LIMITED

OUR MISSION

NFL's mission is to be a market leader in fertilizers and a significant player in all its other businesses, reputed for customer satisfaction, reasonable reward to shareholders, ethics, professionalism and concern for ecology & the community

CONTENTS

Management Team	02
Board of Directors	03
Chairman's Message	05
Performance at a Glance	07
Directors' Report	08
Management Discussion & Analysis Report	17
Balance Sheet	29
Statement of Profit & Loss	30
Cash Flow Statement	31
Notes to Financial Statements	32
Auditors' Report	63
Comments of C&AG	68
Corporate Governance Report	69
Directors' Profile	83
Certificate of Auditors on Corporate Governance	85
Particulars with respect to conservation of Energy & Technology Absorption	86
Report on Sustainable Development	89
Report on Corporate Social Responsibility	92
Information of persons belonging to SCs/STs/OBCs/PHs	95
Notice of Annual General Meeting	96
Forms of Proxy, Attendance Slip, etc.	105

MANAGEMENT TEAM

As on 3rd August, 2013

BOARD LEVEL

R. G. Rajan

Chairman & Managing Director

Neeru Abrol

Director (Finance)

Capt. Pavan Kumar Kaul

Director (Marketing)

C. M. T. Britto

Director (Technical)

CORPORATE HEADS

Vigilance

Technical

Materials Management

Projects

F & A, Company Secretariat

Human Resources

Marketing

Marketing

Management Services

Legal

Harish C. Singh

R. K. Bhatia

Rajiv Johri

B. P. Kumar

Tek Chand

M. S. Tolia

N. R. Satyapalan

S. Gwande

J. M. Kapoor

A. K. Asija

Chief Vigilance Officer

Executive Director

Chief General Manager

Chief General Manager

GM I/c & Company Secretary

General Manager

General Manager

General Manager

General Manager

General Manager

UNIT HEADS

Nangal

Panipat

Bathinda

Vijaipur I & II

K. K. Chaturvedi

V. Ramakrishnan

S. C. Singhal

S. K. Jindal

General Manager I/c

General Manager I/c

General Manager I/c

General Manager I/c

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Patiala

Bank of India

Punjab National Bank

Union Bank of India

Oriental Bank of Commerce

AUDITORS

Thakur, Vaidyanath Aiyar & Co.

Chartered Accountants,

New Delhi

DSP & Associates,

Chartered Accountants,

New Delhi

REGISTRAR & TRANSFER AGENTS

Mas Services Limited,

T-34, IInd Floor,

Okhla Industrial Area-II,

New Delhi - 110020

BOARD OF DIRECTORS

Shri R. G. Rajan	Chairman & Managing Director
Ms. Neeru Abrol	Director (Finance)
Capt. Pavan Kumar Kaul	Director (Marketing)
Shri C.M.T. Britto	Director (Technical)
Shri Satish Chandra	Joint Secretary (A & M) & CVO Department of Fertilizers
Shri S.C. Gupta	Joint Secretary (F & P) Department of Fertilizers
Shri Munikoti Niranjana Rao	Independent Director
Shri Vikram Srivastava	Independent Director
Shri M. Raman	Independent Director

HIGHLIGHTS



Shri R.G. Rajan, C&MD receiving India Distinguished Fellowship Award 2013 from Dr. Veerappa Moily, Hon'ble Union Minister of Petroleum and Natural Gas



Ms. Neeru Abrol, Director (Finance) & Shri R. K. Bhatia, Executive Director receiving FAI Runner Up Award for excellence in Safety from Shri S. K. Jena, Hon'ble Minister of State for Chemicals & Fertilizers (Independent Charge)

Chairman's Message



Dear Shareholders,

I am happy to inform you that NFL has implemented the feedstock conversion projects at Panipat, Bathinda and Nangal by changing over from fuel-oil to natural gas. With the commissioning of feedstock conversion projects, NFL is marching towards using cleaner feedstock for better environment.

During the year gone by, your company has produced 32.11 Lakh MT of urea. The production during 2012-13 remained lower due to extended shutdown at Vijaipur for hooking up & commissioning of revamp projects. On the marketing front, sale of Urea was recorded at 31.62 LMT. The sale was less due to lower production and limited dispatches.

The above factors and higher energy consumption due to lower production at the Units adversely affected the profitability and the Company has reported a loss post tax of ₹ 170.73 crores during 2012-13. Bottom line of the Company was also adversely impacted due to non-revision of New Pricing Scheme Stage-III parameters of urea. Under the existing policy, reimbursement of fixed cost is based on the financial year 2002-03. Further, delay in receipt of subsidy has increased the interest expenses on working capital loan.

The Company has been making regular forays into diverse agri-based businesses including seeds, compost, Bentonite Sulphur and pesticides. During the year, turnover of ₹ 30.08 crores was recorded in these businesses.

Your Company has been strongly advocating and promoting balanced and efficient use of fertilizers. With this objective, a number of programmes such as in-house training of farmers at Kisan Vikas Kendras were organized. In addition to this, more than 50,000 soil samples are collected and analyzed with the reports to the farmers.

The Company is committed towards upliftment of underprivileged sections of the society and has supported various social and community initiatives touching the lives large number of people. The Company is engaged in various CSR activities with prime focus on creating awareness about health and hygiene, children education, women empowerment, skill development for self employment, use of non-conventional energy resources, water conservation, rain water harvesting and ground water recharging. For the above initiatives in CSR, your Company was awarded Caring Company Award in the World CSR Congress at Mumbai in February, 2013.

Your Company has taken various initiatives in adopting best practices for environment management, energy conservation and social upliftment leading to sustainable development. Other than use of cleaner and greener fuel in all its plants, NFL is continuously endeavouring to improve the energy efficiency. Your Company has installed and commissioned Carbon Dioxide Recovery System at Vijaipur, which will help in reducing the carbon foot print from Vijaipur in addition to increase in the production of urea. Your Company is also installing Purge Gas Recovery System and Process Air Compressor at Vijaipur to increase production and improve energy efficiency of the plant. On the safety front, Panipat Unit has been awarded Shreshtha Suraksha Puraskar by National Safety Council and National Level Safety Award from Fertilizer Association of India for excellence in safety.

The Government has notified the New Investment Policy 2012 in the urea sector with the objective of encouraging investments to increase indigenous capacities. It is expected that fresh investments shall come for expansion, revival and setting up of new projects. The Government has also decided to implement direct cash transfer to the farmers in a phased manner, which would help target small, marginal and other farmers. Urea price is abnormally low, which is leading to excessive use of this fertilizer in comparison to P & K Nutrients.

Notification of New Investment Policy (NIP), 2012 in the urea sector provides an opportunity to make investments in the sector. Government of India on nomination basis has allotted NFL and Engineers India Limited (EIL) for revival of closed unit of Fertilizer Corporation of India Limited (FCIL) at Ramagundam. This venture will provide the Company an opportunity to establish itself as a market leader in urea.

Capacity augmentation of urea projects at Vijaipur-I & II and switchover of feed-stock from fuel-oil to Natural Gas at Bathinda, Panipat and Nangal has provided an opportunity for the Company to consolidate its position in urea production at competitive cost.

Company has a well-knit marketing set-up and dealer-network with significant presence in Northern and Central India. With the implementation of Nutrient Based Subsidy (NBS), there is an opportunity for undertaking trading of P&K fertilizers. Company is also conducting feasibility study of installation of Single Super Phosphate (SSP) plant at Panipat. Trading of agro-inputs like seeds, compost and pesticides is also being explored on large scale. Company also sees an opportunity in use of customized fertilizers.

Timely monsoons in North India will give a boost to the fertilizer consumption. Company would use this opportunity to have better sales and cutting down inventory.

To comply with the market regulator Securities and Exchange Board of India (SEBI) norms, the Government of India has further divested 7.64 percent of its stake in the Company thereby reducing its holding to 90%. As per the SEBI norms, Government's shareholding in the listed government companies should be below 90 percent.

Since its inception, NFL has ever performed well. May it be production, marketing or finance, the Company has requisite strengths to meet the internal and external challenges. The present situation is also challenging one. I am confident that Company will continue to retain its position, which it has achieved after years of toil and hard work and serve the nation.

Place: New Delhi
Date: 3rd August, 2013



(R. G. Rajan)
Chairman & Managing Director

Performance at a Glance

Financial Highlights

(₹ in crore)

Particulars	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004
Sales (Gross)	1727	1978	1886	1704	1697	1640	1664	1647	1745	1749
Subsidy	5020	5363	3918	3396	3444	2518	2217	1957	1748	1657
Turnover (Gross) (incl. Subsidy)	6747	7341	5804	5100	5141	4158	3881	3604	3493	3406
Earnings before depreciation, interest and tax (EBDITA)	17	342	302	365	293	262	387	312	357	329
Interest and Finance Charges	130	67	9	11	41	17	17	8	22	34
Depreciation	118	91	89	94	96	89	106	125	120	176
Profit before Tax	-231	184	204	260	156	156	264	179	215	119
Profit after Tax	-171	127	139	172	97	109	176	116	161	85
Gross Fixed assets	5717	2958	2930	2924	2906	2925	2903	2897	2862	2846
Net Fixed Assets	3501	550	599	666	734	809	871	963	1050	1153
Current Assets, Loans & Advances	4285	3206	2244	2082	1524	1443	1693	1272	1007	1147
Current Liabilities & Provisions	2250	1600	998	794	885	816	692	553	601	372
Working Capital	2035	1606	1246	1288	639	627	1001	719	406	775
Borrowings	# 5615	2985	613	403	265	525	327	227	60	618
Net Worth	1584	1754	1672	1582	1471	1408	1371	1256	1186	1080
Capital Employed (Net Fixed Assets + Working Capital)	5536	2156	1845	1954	1373	1436	1872	1682	1456	1928
Production (Urea) (Lakh MT)	32.11	34.01	33.80	33.30	33.44	32.68	33.51	33.44	34.32	32.50
Capacity Utilisation (Urea) (%)	91.94	105.3	104.6	103.1	103.5	101.1	103.7	103.5	106.2	100.6
Sales (Urea) (Lakh MT)	31.62	33.89	33.59	33.78	33.77	32.38	33.54	33.63	34.73	33.87
Employees (Nos.)	4291	4515	4699	4760	4868	4910	4736	4862	4853	4940

Key Indicators

EBDITA/ Turnover (%)	0.25	4.66	5.20	7.16	5.70	6.30	9.97	8.66	10.22	9.66
Return on Net Worth (%)	-	7.24	8.31	10.87	6.59	7.74	12.84	9.24	13.58	7.87
Return on Capital Employed (%)	-	5.88	7.51	8.78	7.10	7.56	9.41	6.92	11.06	4.41
Earning per Share of ₹10 (₹)	-	2.58	2.82	3.50	1.99	2.21	3.59	2.37	3.28	1.73
Debt/Equity	# 3.55 : 1	1.70 : 1	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1
Current Ratio	1.90 : 1	2.00 : 1	2.25 : 1	2.62 : 1	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1
Value Added per Employee (₹ in Lakhs)	23	26	23	23	20	19	19	17	18	17
Dividend (₹ in Crores)	-	38.27	41.70	51.51	29.43	32.60	52.83	40.74	48.27	25.51
Dividend as % of Equity	-	7.80	8.50	10.50	6.00	6.65	10.77	8.30	9.84	5.20

Debt -Equity ratio includes debt of ₹ 3451 crores borrowed by company for Feed Stock Conversion Project from 'LSHS/FO' to 'Gas' at Nangal, Bathinda and Panipat Unit which under the GoI Policy will be reimbursed to the Company as Capital Subsidy.

Directors' Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 39th Annual Report on the business and operations of the Company together with the Audited Financial Statements for the Financial Year 2012-2013.

Your Company was incorporated in the year 1974 for implementation of two fertilizer plants at Panipat and Bathinda with annual installed capacity of 5.11 lakh tonnes of urea each. The commercial production from these plants commenced in 1979. In April, 1978, the Nangal Group of Plants of Fertilizer Corporation of India Limited (FCIL) were transferred to NFL consequent upon reorganization of NFL-FCIL. The Government of India (GoI) in 1984 entrusted the Company to execute the country's first inland gas based urea project at Vijaipur in Madhya Pradesh, which commenced commercial production w.e.f. 1st July, 1988. Expansion of Vijaipur Plant was taken up in the year 1993 for doubling its capacity. The commercial production from Vijaipur Expansion Plant commenced w.e.f. 31st March, 1997. Company successfully completed the revamping of urea plant at Nangal and commercial production commenced from 1st February, 2001.

Presently, the Company has five urea production plants, one each at Panipat, Bathinda and Nangal and two plants at Vijaipur with a total installed capacity of 35.68 lakh tonnes and has grown to the status of being the second largest producer of urea in the country. This financial year has been a happening year in terms of growth plans of the Company. Capacity Augmentation of Ammonia and Urea Plants undertaken at Vijaipur-I and II Units got completed during the year including installation of Carbon Dioxide Recovery Plant. Company has also implemented the feedstock conversion projects at Panipat, Bathinda and Nangal Units by changing over the feed-stock from fuel-oil to Natural Gas. Since all the five units took up shutdown during the financial year for hooking up and commissioning activities of the projects, urea production was adversely affected.

FINANCIAL HIGHLIGHTS

During the year under review, the Company achieved turnover of ₹ 6747 crore (previous year ₹ 7341 crore). The lower turnover was primarily due to lower urea production as all the Units were under shutdown for hooking up and commissioning activities of the projects. The earnings before interest, depreciation and tax (EBIDTA) at ₹ 74.19 crore were lower than ₹ 342 crore achieved in previous year. The loss before tax was ₹ 230.62 crore (previous year profit ₹ 184.20 crore) and loss after tax was ₹ 170.73 crore (previous year profit ₹ 126.73 crore). The main reasons for loss include: -

- Lower production / sale because of shut-downs taken for commissioning of Urea Capacity Enhancement Projects at Vijaipur and changeover of feedstock from Fuel-oil to Natural Gas at Nangal, Bathinda and Panipat Units;
- Decrease in sale and contribution of industrial products due to non-availability of cheaper ammonia; non-availability of gases; sulphur and argon gas at three Fuel-oil based Units post commissioning.
- Provision for Purchase Tax liability pertaining to previous years.
- Higher interest expenditure mainly due to delay in receipt of subsidy.

BORROWINGS

The short-term borrowings of the company as at 31st March, 2013, stood at ₹ 1703.29 crore including cash credit utilization, short-term loans, working capital demand loan, etc. (₹ 1383.82 crore as at 31st March, 2012). Delay in receipt of urea subsidy lead to more borrowings for meeting working capital requirements.

For changeover of feed stock from LSHS/FO to Gas at Nangal, Panipat & Bathinda units, Rupee Term Loan of ₹ 3850 crore has been arranged from Consortium of 13 Banks with SBI as lead bank. As on 31st March, 2013 long term loan of ₹ 3451 crore was outstanding.

For Energy Saving and Urea Capacity Augmentation Project at Vijaipur-I, Urea capacity Augmentation Project at Vijaipur-II and installation of Carbon-Dioxide Recovery (CDR), long term loan was raised by way of 9.42% Secured Redeemable Non-Convertible Taxable Bonds of ₹100.40 crore; Buyer's Credit of USD 15.68 million and External Commercial Borrowing (ECB) of USD 50 million.

DIVIDEND

In view of the loss incurred by the Company and considering the fact that three plants at Nangal, Panipat and Bathinda converted to Gas shall get stabilized in next financial year only and future capital expenditure and requirement of contribution of equity in the proposed Joint Venture towards revival of Ramagundam Unit of FCIL, Board of Directors have not recommended any dividend for the financial year 2012-13.

CAPITAL & RESERVES

The Paid-up Capital & Reserves and Surplus as at 31st March, 2013 were ₹491 crore and ₹1093.12 crore respectively.

OPERATIONS

Production

The Company produced 32.11 lakh MT of Urea (91.94% of revised proportionate installed capacity of 34.92 lakh MT) against 34.01 lakh MT (105.27%) in CPLY.

Production during the year 2012-13 was lower than the CPLY primarily due to shut down taken at Nangal, Panipat and Bathinda units for hooking up and commissioning of Ammonia Feedstock Changeover Project (AFCP) and shutdown taken at Vijaipur I and II for hooking up and commissioning of Revamp Project.

Input availability

Availability of Administered Pricing Mechanism (APM)/ Non-APM and Panna Mukta Tapti (PMT) Gases got reduced during the 3rd quarter of 2012-13. To sustain production at the higher levels spot gas was procured continuously. Domestic gas is yet to be allocated for three Fuel-oil Units converted to gas. As an interim arrangement, Company is purchasing high cost spot RLNG for Bathinda, Panipat and Nangal Units. Allocation of indigenous gas supply to these Units is being followed up regularly with the Department of Fertilizers (DoF).

SALES & MARKETING

Urea

Company's prime business is production and sale of urea. It sold 31.62 lakh tonnes of Urea (including 10.92 lakh tonnes of Neem coated Urea) against 33.89 lakh tonnes (including Neem Coated Urea of 6.40 lakh tonnes) in the previous year. The sale was less due to lower production and limitation of dispatches from Vijaipur Unit owing to insufficient availability of rail wagons.

Industrial Products

The sale of Industrial Products was ₹ 95.63 crore against CPLY of ₹170.91 crore. The lower sale was attributed to lower production and sale of ammonium nitrate at Nangal due to non-availability of surplus ammonia from Vijaipur Units post completion of revamp projects and increase in the market price of ammonia. Stoppage of generation and sale of industrial gases and sulphur at Nangal, Panipat and Bathinda Units and argon at Panipat post conversion to gas has also affected the sale of industrial products.

Bio-Fertilizers

During the year Bio-fertilizers (liquid & solid) worth ₹ 3.65 crore were sold against ₹ 2.60 crore in the previous year.

Agri-Business

The Company has been making regular forays into diverse agri-based business viz. Seeds, Compost, Bentonite Sulphur and Pesticides. During the year, turnover of ₹ 30.08 crore was achieved compared to ₹ 22.72 crore in the previous year.

Promotion of balanced use of fertilizers

The production and productivity at farm level are continuously deteriorating owing to imbalanced fertilizer usage, mono cropping etc. Further the micronutrients in soil are also depleting at a very alarming rate.

Your Company has been strongly advocating and promoting balanced and efficient use of fertilizers. It has identified soil testing as a primary diagnostic technique towards soil health management and balanced fertilizer use and is playing a pivotal role in educating farmers about benefits of soil test based application of chemical fertilizers, appropriate cropping pattern, the role of organic manure and bio-fertilizers in improving soil health. The programmes undertaken to achieve this objective include farmers in house training at Kisan Vikas Kendras, arranging farmers' meets with eminent scientists to equip them with requisite knowledge.



Farmers' at demonstration plot developed by NFL with balanced use of fertilizers

Company has set up elaborate facilities for soil testing including 6 static and 4 mobile soil testing vans with capacity to test 50,000 samples annually. The soil samples are collected across Company's marketing territory, analysed and soil test reports are provided free of cost to farmers in time with fertilizer application recommendations according to soil status and crops to be grown. During the year 2012-13, over 50,000 soil samples were collected and analyzed and reports were provided to the farmers.

Company also undertakes dealers training programmes, field demonstrations, distribution of crop literature, participated in kisan melas advising farmers on fertilizer dosages, use of bio-fertilizers, compost etc for holistic approach to cultivation.

MODERNIZATION AND EXPANSION PROJECTS

Revamp of fuel-oil based plants at Nangal, Bathinda & Panipat.

The Company has undertaken capital schemes for change over of feedstock from Fuel-oil to Natural Gas at Panipat, Bathinda and Nangal involving a total investment of ₹4066 crore with a completion period of 36 months from the zero date i.e. 29th January, 2010. The revamp plants have been successfully commissioned at Panipat and Bathinda on 24th and 16th January, 2013 respectively. After stabilization of these plants, commercial production was declared w.e.f. 28th and 11th March, 2013 respectively. Nangal unit has been commissioned on 9th April, 2013 and commercial production has been declared on 18th July, 2013.



Revamped Nangal Plant

Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur

The Company has successfully commissioned Capacity augmentation and Energy Savings Projects of Ammonia & Urea plants at Vijaipur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant during 2012-13 at an investment of around ₹ 650 crore. The total urea capacity of Vijaipur Units after commissioning of these projects has been augmented to 20.66 lakh tonnes from 17.29 lakh tonnes per annum, an increase of 20%.

JOINT VENTURE

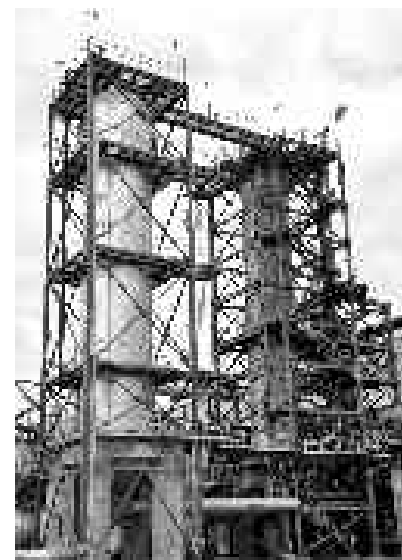
Joint Venture with KRIBHCO & RCF

Company has a Joint Venture "Urvarak Videsh Limited" with M/s. KRIBHCO and RCF as promoters. The main object of the joint venture company is to explore investment opportunity abroad and within the country in nitrogenous, phosphatic and potassic sectors and to render consultancy services for setting up projects in India and abroad.

Revival of closed units of FCIL

Consequent upon nomination of NFL and EIL, by Government of India, for the revival of Ramagundam plant of Fertilizer Corporation of India, it has been planned to set up a 2200 MTPD Ammonia and 3850 MTPD Urea plant. The project is envisaged to be undertaken at the existing Fertilizer Complex of Ramagundam unit at an estimated cost of INR 4700 crore.

Pre-project activities towards setting-up of Joint Venture between NFL/EIL/FCIL, lining-up of Process Licensor for Ammonia / Urea, finalization of Concessionaire Agreement & Financial Model are in progress.



CDR Plant at Vijaipur Unit

HUMAN RESOURCE

Strategic HR planning is an important component of Human Resource Management. It links HR Management directly to the strategic plan of the Company in achieving organizational goals and supporting future direction to the organization. A study on Organizational Structure, Performance Management System, Recruitment and Promotion Policies of the Company was conducted by an Expert Committee. The report of the committee is under examination for implementation.

The manpower strength of the Company as on 31st March, 2013 was 4291 comprising 1802 Executives and 2489 Non-Executives. Total manpower includes 231 women employees, which is 5.38% of the total work force.

The Company undertakes several employee welfare schemes related to education, medical, benevolence, housing etc. As a measure towards employee social security, a defined Contribution Superannuation Pension Scheme has been implemented.

Company has always supported the participative culture in the management through consultative approach. The efforts to promote employees' participation in various activities like Suggestion Scheme, Welfare, Safety, interactions between Management and employees' representatives on various issues continued during the year.

Industrial relations in the Company continued to be harmonious during the year. Continuous interaction between the Management and Employees' representatives contributed in maintaining the harmony.



Employees at Urea Control Room

Training initiatives

To develop the skills and instill behavioural and personality development traits in all supervisory staff and managerial cadre, Company organized a number of training programmes during the year. These training programmes were identified through Performance Management System by systemizing organizational needs with individual needs. In these diverse programmes, 12,574 man-days training was imparted to employees. Apart from in-house training programmes, employees were also nominated for attending external training programmes on contemporary subjects. To promote the efficient use of modern technology, 1288 man-days training was imparted to employees. 493 man-days of training programmes on Sustainable Development were organized. Six officers attended training programmes abroad. Company has undertaken Ammonia Plant Feedstock Changeover from Fuel-oil to Natural Gas at Panipat, Bathinda and Nangal. Training workshops were conducted by various equipment vendors at all the three sites.

Implementation of Official Language

The Company is making continuous efforts for propagation and implementation of Official Language Policy of the Government of India. The quarterly meeting of Official Language Implementation Committee (OLIC) is regularly held in all the Units/Offices of the Company to review the progress. 28 Meetings of OLIC were held, 33 Hindi Workshops were organized in which 789 employees participated. Hindi Pakhwara was organized in all the Units/Offices of the Company to mark Hindi Day. During the year 58 programmes/competitions were held for the promotion of Hindi in which 1132 employees participated. Information Technology is widely used to promote use of official language. Unicode Font has been installed on all the computers and training has been imparted to the employees. Bathinda Unit received Rajbhasha Shield from Town Official Language Implementation Committee. Corporate Office was awarded 2nd prize 'Rajbhasha Shield' by the Department of Fertilizers.

REPRESENTATION OF SCs/STs, OBCs AND PHYSICALLY DISABLED

Your Company has been implementing reservation policies of Government of India for SCs/STs/OBCs/Persons with Disabilities. Representatives of SCs/STs categories are associated in Recruitment Departmental Promotion Committees. A statement showing representation of employees belonging to Scheduled Castes / Scheduled Tribes / Backward Classes / Physically Disabled categories is appended as Annexure-VIII to this report.

INFORMATION TECHNOLOGY

The Company is making use of information technology (IT) to improve efficiency and productivity to bring transparency in its business functions. Local Area Networks (LAN) are operational at all the Units/Offices. All the Units and Offices are also interconnected through secured MPLS based Virtual Private Network (Wide Area Network). Internet connectivity to the employees at Units and Offices has been provided through Leased Line / Broadband. High-speed data cards have been provided to the Marketing Personnel to upload sales data through internet. The Company is extensively making use of e-procurement, e-payment and e-receipt for bringing in efficiency and transparency. Implementation of Mobile based Fertilizer Monitoring System (mFMS) is under way for use in Marketing Division. mFMS has been introduced by Department of Fertilizers (DoF) to monitor and track the movement of fertilizers from the manufacturing unit to the farm gate and to facilitate implementation of "Direct Cash Transfer of Subsidy" to farmers. Under the system acknowledgement of receipt of fertilizers at wholesaler, retailer and end user, forms the basis for ensuring equitable distribution to the farm sector.

INDUSTRIAL SAFETY, ECOLOGY & POLLUTION CONTROL

Company accords highest priority to Industrial Safety, Ecology & Pollution Control. All manufacturing units are ISO 9001-2000 certified for Quality Management System, ISO-14001 certified for Environment Management System. All the Units have also received OHSAS-18001 Certification for Occupational Health Safety Management System.

Carbon Dioxide Recovery Plant of 450 MTPD capacity has been installed at Vijaipur-I for recovery of carbon dioxide from fuel gases of primary reformer. This has also resulted in reduction in discharge of Greenhouse Gases.

Silo System for collecting fly ash from ESP hoppers using dense phase pneumatic Conveying System have been installed at Panipat, Bathinda and Nangal Units for evacuation of ash. These systems have reduced quantity of ash slurry for disposal and ecological problems associated therewith. This has also helped in saving electrical energy used for pumping of ash slurry.

State of the art safety practices were adopted during the project construction and commissioning of revamp of plants. There was no reportable accident at any of the plant sites. To safeguard the plants from emergencies like fire, explosion, toxic gas release, own site emergency disaster plan is available at the Units.

Recognizing the need to balance human economic development with environment protection, Company has adopted the concept of sustainable development. A separate chapter at Annexure-VI in this report deals at length with your Company's initiatives and commitment to environment conservation and sustainable development.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an evolving concept and has moved away from being just philanthropic to becoming an integral part of strategy of the company. The Company is committed towards upliftment of under privileged sections of the society and has supported various social and community initiatives touching the lives of a large number of people. Under the umbrella of CSR, Company is engaged in undertaking farmer friendly activities that have helped in improving their socio economic status. The major focus of these programmes is on creating awareness about health and hygiene, children education, women empowerment, skill development for self-employment, water conservation, rain-water harvesting and ground water recharging.

During the year, Company has incurred an expenditure of ₹ 1.47 Crores on CSR initiatives. The expenditure pertained to the carry forward amount of schemes taken up for execution in the previous year. The major CSR initiatives undertaken by your Company are detailed in a separate Annexure-VII.

THE RIGHT TO INFORMATION ACT, 2005

In consonance with the provisions of the Right to Information Act, 2005, Company has taken requisite measures and appointed Appellate Authorities / Public Information Officers / Assistant Public Information Officers at all the Units / Offices of the Company to respond effectively to the requests of the applicants under the Act. The Act aims at bringing in transparency in the functioning of organizations and to meet the objective, your Company has created necessary mechanism. Further, in order to promote institutional transparency within the Company through proactive and effective implementation of the provisions of RTI Act 2005, a Transparency Officer has also been appointed in the Company. During the year, 200 applications were received and the information was provided to the applicants within the scheduled time.

WHISTLEBLOWER POLICY

Your Company relies on transparency and propriety in its business dealings. To take this object further, Company has put in place a Whistle Blower Policy providing for a mechanism to the employees and other stakeholders to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct or Ethics Policy. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism. During the year, no disclosures have been received under the whistleblower mechanism. The policy is reviewed periodically. No employee has been denied access to the Audit Committee.

VIGILANCE

In Vigilance, focus continued to be given to preventive vigilance. Due thrust was given to maintaining high degree of awareness amongst the employees. Systems and procedures were streamlined to provide timely information. Efforts were undertaken to build confidence across the organization to enable faster decision making. To ensure transparency, emphasis was made on computerization of activities relating to award of contracts, purchases, etc. In line with instructions received from the Department of Fertilizers/Central Vigilance Commission, emphasis is being

given on leveraging of technology e.g. e-payment / receipts / procurement / tendering, to facilitate transparency and avoid delays.

During the year, interactions were organized between the vigilance functionaries and the line managers on regular basis, with a view to understand the role of vigilance and to educate them about the policies, guidelines and procedures of the Company. In all the Units, Vigilance Awareness Week was also observed to create an environment of ethical growth in the Company.

AWARDS & ACCOLADES

MoU

Company received “Excellent” rating for the MoU 2011-12, which is 12th excellent rating in a row.

Awards

During the year, Company received following prestigious accolades and Awards.

- “Shreshtha Suraksha Puraskar” for the year 2011 to the Panipat Unit from National Safety Council (India), Mumbai, amongst the manufacturing sector of Chemicals & Chemical products.
- National Level Fertilizer Association of India 'Runner-up Award' for excellence in Safety in Nitrogenous and Complex Fertilizer Plant to the Panipat Unit presented by Shri S.K. Jena, Hon'ble Minister of State for Chemicals & Fertilizers.



ED, Panipat Unit receiving Shreshtha Suraksha Puraskar

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Management Discussion & Analysis Report covering the operations and future prospects of the Company is appended as Annexure-I to this report.

STATUTORY AUDITORS & STATUTORY AUDITORS REPORT

The Statutory Audit of your Company was conducted by M/s. DSP & Associates and M/s. Thakur Vaidyanath Aiyar & Company, Chartered Accountants, who were appointed as Joint Statutory Auditors for the financial year 2012-13 by the Comptroller & Auditor General of India (C&AG). Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2013 is at Annexure-II.

The review of Annual Accounts of your Company for the year ended 31st March, 2013 by the C&AG under Section 619(4) of the Companies Act, 1956 forms part of this report as Annexure-III and do not call for any reply as no comments as supplementary to Statutory Auditor Report have been made.

COST AUDIT

Pursuant to the directions of Central Government for audit of Cost Accounts, your company has appointed M/s. Sanjay Gupta & Associates for Nangal, M/s. Ravi Sahni & Co. for Bathinda, V.P. Gupta & Co. for Panipat and M/s. Shome & Bannerjee for Vijaipur-I & II as Cost Auditors for the year ended 31st March, 2013.

As prescribed under the Cost Accounting Records (Report) Rules, 2011, the cost accounting records are being maintained by all the Units of the Company. Consolidated Cost Audit Report and Compliance Replort for the financial year 2011-12 was filed on 20th December, 2012.

CORPORATE GOVERNANCE

The Company believes Corporate Governance is the fountain head of value creation for all stakeholders especially shareholders. The Company has in place a well defined "Corporate Governance Mechanism" which considers the interests of all stakeholders. A separate section on Corporate Governance forming part of this Directors' Report alongwith the Auditors' Certificate conforming to the Compliance of Corporate Governance Code as provided in Clause 49 of the Listing Agreement is at Annexure-IV.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosures in terms of Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, in respect of conservation of Energy and Technology Absorption and Foreign Exchange earnings and outgo are at Annexure-V.

PARTICULARS OF EMPLOYEES

During the year under review, none of employees of the Company has drawn remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

Directors' responsibility statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act 1956, your Directors confirm that: -

- i. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departure has been made therefrom by the Company;
- ii. the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2012-13 and of the profit of the Company for that period;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

Ms. Neeru Abrol, Director (Finance) was relieved from her duties on completion of her tenure on 31st December, 2012. Subsequently, Department of Fertilizers vide Orders dated 2nd May, 2013 reinstated Ms. Abrol as Director (Finance) with immediate effect and she rejoined on 10th May, 2013.

Shri Sham Lal Goyal, Joint Secretary, DoF, Director, has ceased to be a Director and Chairman & Managing Director on 5th January, 2013.

Shri R.G. Rajan, Chairman & Managing Director, Rashtriya Chemicals & Fertilizers Limited has taken over the additional charge as Chairman Managing Director of the Company w.e.f. 6th January, 2013.

Shri C.M.T. Britto, Director (Technical), Rashtriya Chemicals & Fertilizers Limited has taken over the additional charge as Director (Technical) of the Company w.e.f. 7th May, 2013.

Shri Vikram Srivastava, Ex-DG, Bureau of Police Research & Development (BPR&D), CRPF / ITBP and Shri M. Raman, Ex-Secretary to the Government of India, have been appointed as Part-time Non-official Independent Additional Directors w.e.f. 6th May, 2013 and shall be holding office as Directors till the ensuing Annual General Meeting. Further, notice has been received u/s 257(1) of Companies Act, 1956 for appointment of Shri Vikram Srivastava and Shri M. Raman as Directors at the Annual General Meeting.

In accordance with the provisions of Article 76(2) of the Articles of Association of the Company, Shri Satish Chandra shall retire by rotation at the Annual General Meeting and being eligible has offered himself for reappointment.

CODE OF CONDUCT

In line with the requirements of Clause 49 of Listing Agreement, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2013.

ACKNOWLEDGEMENTS

The Board of Directors acknowledge their gratitude for the valuable guidance and support received from the various wings of Government of India, in particular Department of Fertilizers, Fertilizer Industry Coordination Committee (FICC), various State Governments, Financial Institutions, Banks, stakeholders and all others whose continued support has been a source of strength to the Company.

Your Directors also acknowledge the suggestions received from Statutory Auditors, Cost Auditors and Comptroller and Auditor General of India and are grateful for their continued support and cooperation.

The Board would like to place on record its appreciation to the hard work, commitment and unstinting efforts put in by the employees at all levels.

For and on behalf of the Board of Directors

Place: New Delhi
Date: 3rd August, 2013

(R. G. Rajan)
Chairman & Managing Director

Management Discussion & Analysis Report

STATE OF ECONOMY & INDUSTRY

Following the slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 percent and 9.3 per cent respectively in 2009-10 and 2010-11. On the subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 per cent and 4.97 per cent respectively. With the global economy likely to recover somewhat in 2013 and measures taken by Government should help in improving the Indian economy's outlook for 2013-14.

FERTILIZER INDUSTRY

India meets 80 per cent of its urea requirement through indigenous production and is largely import dependent for meeting its requirements of the potassic and phosphatic fertilizer requirements. The consumption of fertilizers in nutrient terms has shown improvement.

The Government has notified the New Investment Policy 2012 (NIP-2012) in the urea sector which will encourage investments leading to increase in indigenous capacities, reduction in import dependence and savings in subsidy due to import substitution at prices below import parity price (IPP). It is expected that fresh investment will come for expansion, revival and setting up of brownfield and greenfield projects. Priority allocation and reasonable pricing of domestic gas would be crucial for cost competitiveness of urea plants.

Under the Nutrient Based Subsidy (NBS) scheme for phosphatic and potassic (P&K) fertilizers implemented in 2010, a fixed amount of subsidy, decided on annual basis, is provided to each grade of P&K fertilizer, depending upon its nutrient content. Government has decided to implement direct cash transfer to the farmers in a phased manner, which would help the farmers.

Urea price is abnormally low. Increase in urea price could have met the twin objectives of fiscal management of subsidy as well as moving towards balanced application of nutrients. Low price of urea is also leading to excessive use of urea in comparison to P&K nutrients. Increasing the price of urea and bringing urea under NBS is urgently needed to correct the imbalance in use of primary nutrients N, P and K. The retail price of urea in India at USD 98 per tonne is significantly lower than the per tonne farmer's prices prevailing in USA at USD 626 per tonne, China at USD 348 per tonne, Pakistan at USD 344 per tonne and Sri Lanka at USD 187 per tonne.

Energy cost for urea production in India has increased significantly in the recent years increasing the subsidy burden of the Government. Gas price is likely to increase further from 1st April, 2014. The industry has been perpetually shouldering the burden of arranging additional working capital through banks and interest cost on the same has now reached on unsustainable levels.

BUSINESS ORGANIZATION

Company is mainly in the business of production and marketing of urea. It has five Urea plants, one each at Nangal and Bathinda (Punjab), one at Panipat (Haryana) and two at Vijapur (Madhya Pradesh). Company is the second largest producer of urea in the country with a share of 14% of total urea production.

Company also deals in various Industrial Products including Nitric Acid, Ammonium Nitrate (lumps & melt), Sodium Nitrate/Nitrite, etc.. Company has also a 600 tonnes p.a. bio-fertilizers plant at Vijapur, where three strains of bio-fertilizers namely Phosphate Solubilising Bacteria (PSB), Rhizobium and Azotobacter are produced. Company also deals in trading of certified seeds, compost, mycorrhiza and pesticides.

Company has got an extensive marketing network comprising of Central Marketing Office, Zonal Offices, State Offices and Area Offices spread across the country with significant presence in Northern and Central India.

OPPORTUNITIES

Chemical Fertilizers would continue to play a role in contributing to food security of the country. Notification of New Investment Policy (NIP-2012) in the urea sector provides an opportunity to make investments in the sector. Government of India on nomination basis has allotted NFL and Engineers India Limited (EIL) for revival of closed unit of Fertilizer Corporation of India Limited (FCIL) at Ramagundam. This venture will provide the Company an opportunity to establish itself as a market leader in urea.

Completion of capacity augmentation of urea projects at Vijaipur-I & II has enabled the Company to consolidate its position in urea production at competitive cost.

Switchover of feed-stock from fuel-oil to Natural Gas at Bathinda, Panipat and Nangal will improve energy efficiency and reduce cost of production in the coming years.

NFL, a pioneer in the country, is developing technique for coating of normal prilled urea with neem oil on large scale. Wider acceptability of neem coated urea in the market, offers an opportunity to augment the production of neem coated urea.

Company has been producing and marketing a number of industrial products including Nitric Acid, Ammonium Nitrate, Sodium Nitrate/Nitrite, etc. and is exploring to expand further in this segment to have a strong footage.

Company has a well-knit marketing set-up and dealer-network with significant presence in Northern and Central India. With the implementation of Nutrient Based Subsidy (NBS), there is an opportunity for undertaking trading of P&K fertilizers. Trading of agro-inputs like seeds, compost, pesticides could be explored on a large scale.

Company also sees an opportunity in use of customized fertilizers.

THREATS

Urea Policy related issues including those governing subsidies.

Allocation of domestic gas for Fuel-oil Units converted to gas.

Fluctuations in global raw material prices especially Natural Gas.

Agro climatic conditions can have an impact on the performance.

Recession in international chemical market leading to unremunerative domestic prices.

Large scale operations in international chemicals market may lead to lower pricing power.

Increase in cost of domestic gas.

Dependence on Monsoons is increasing. Scanty rains because of Monsoon failures affect the urea off takes resulting in high inventory and delayed realization, affecting adversely liquidity and funds availability. A declining crop response to application of fertilizers because of imbalanced use of plant nutrients.

RISKS & CONCERNS MANAGEMENT PERCEIVES

Availability and pricing of gas has been a major constraint. Firm allocation of domestic gas is still awaited for Panipat, Bathinda and Nangal Units.

Company primarily has a single nutrient product base.

A major part of cost of urea produced is reimbursed as subsidy after a time gap. Company has been perpetually shouldering the burden of arranging additional working capital affecting the margins adversely.

Fertilizer marketing is undergoing a sea change in the emerging scenario in view of entry of new players and broadening of product portfolios. Identifying and understanding customer behaviour and relationship management is a challenge in the competitive market.

The average vintage of production units of the Company except Vijaipur II Unit is above 25 years and requires regular expenditure on renewals and replacements.

Many experienced technical and other professionals will be superannuating in the next few years. Skilled and trained manpower is required to sustain the organization for future.

RISK MANAGEMENT POLICY

Company has put in place a Risk Management Policy, providing for periodic review of risks, procedures and strategies to minimize the same.

POSITIONING FOR THE FUTURE

(a) PROJECTS

Revamp of fuel-oil based plants at Panipat, Bathinda & Nangal

The Company has undertaken capital schemes for changeover of feedstock from Fuel-oil to Natural Gas at Panipat, Bathinda and Nangal involving a total investment of ₹ 4066 crore with a completion period of 36 months from the Zero date i.e. 29th January 2010. The revamp plants have been successfully commissioned at Panipat and Bathinda on 24th and 16th January, 2013 respectively. After stabilization of these plants, commercial production was declared w.e.f. 28th and 11th March, 2013 respectively. Nangal unit has been commissioned on 9th April, 2013 and commercial production has been declared on 18th July, 2013.

Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur

The Company has successfully commissioned Capacity augmentation and Energy Savings Projects of Ammonia & Urea plants at Vijaipur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant during 2012-13 at an investment of around ₹ 650 crore. The total urea capacity of Vijaipur Units after commissioning of these projects has been augmented to 20.66 lakh tonnes from 17.29 lakh tonnes per annum, an increase of 20%.

Revival of closed units of FCIL

Consequent upon nomination of NFL and EIL, by Government of India, for the revival of Ramagundam plant of Fertilizer Corporation of India, it has been planned to set up a 2200 MTPD Ammonia and 3850 MTPD Urea plant. The project is envisaged to be undertaken at the existing Fertilizer Complex of Ramagundam unit at an estimated cost of ₹ 4700 crore and the targeted production in 2017.

Pre-project activities towards setting-up of Joint Venture between NFL/EIL/FCIL, lining-up of Process Licensor for Ammonia / Urea, finalization of Concessionaire Agreement & Financial Model are in progress.

(b) MARKETING:

Sale of other fertilizers

The present market is very competitive and in view of the globalization scenario and to exploit the opportunities in the Nutrient Based Subsidy (NBS) regime a dedicated team is in place. Company endeavours to make use of New Fertilizer Policy by entering into customized fertilizers. Company has plans to import fertilizers like MoP, DAP, depending upon the price and availability, for trading through its distribution network. Techno-economic feasibility study is underway for setting up of a Single Superphosphate Plant at Company's Panipat Unit to add to its product range.

Seeds

Company has been selling substantial quantity of seeds sourced from government/private agencies. It has been producing certified seeds in pilot projects at selected farms in adopted villages. Company endeavours to produce and market quality seeds of various high yield variety crops under its own brand.



Seed Bag

REVIEW OF PERFORMANCE OF THE COMPANY

Production Review

During the Financial Year 2012-13, Company has successfully commissioned and declared commercial production of the following projects:-

1. Capacity Enhancement & Energy Saving Project at Vijaipur-I on 24th April, 2012.
2. Capacity Enhancement & Energy Saving Project at Vijaipur-II on 31st July, 2012.
3. Ammonia Feedstock Change over Project (AFCP) at Bathinda on 11th March, 2013.
4. Ammonia Feedstock Change over Project (AFCP) at Panipat on 28th March, 2013.

Installed capacity of Vijaipur-I & II has been enhanced in the year 2012-13 w.e.f. 24th April, 2012 & 31st July, 2012 respectively as detailed below:-

Unit	Original capacity (MT/annum)	Enhanced Capacity (MT/annum)	% Increase
Vijaipur-I	864600	999990	16%
Vijaipur-II	864600	1066230	23%

The Company produced 32.11 lakh MT of Urea (91.94% of revised proportionate installed capacity of 34.92 lakh MT) against 34.01 lakh MT (105.27%) in CPLY.

Production during the 2012-13 was lower than the CPLY primarily due to shut down taken at Nangal, Panipat and Bathinda units for hooking up and commissioning of AFCP and extended shutdown at Vijaipur -II for hooking up and commissioning of Revamp Project.

MARKETING REVIEW

Sales & Marketing

Company's prime business is production and sale of urea. It sold 31.62 lakh tonnes of Urea (including 10.92 lakh tonnes of Neem coated Urea) against 33.89 lakh tonnes (including Neem Coated Urea of 6.40 lakh tonnes) in the previous year. The sale was less due to lower production and limitation of dispatches from Vijaipur Unit owing to lower availability of rail wagons.

Industrial Products

The sale performance of Industrial Products was ₹ 95.63 crore against CPLY of ₹ 170.91 crore. The lower sale was attributed to lower production and sale of ammonium nitrate at Nangal due to non-availability of surplus ammonia from Vijaipur Units post completion of revamp projects. Stoppage of generation and sale of industrial gases and sulphur at Nangal, Panipat and Bathinda Units and argon at Panipat post AFCP has also affected the sale of industrial products.

Bio-Fertilizers

During the year Bio-fertilizers (liquid & solid) worth ₹ 3.65 crore were sold against ₹ 2.60 crore in the previous year.

Agri-Business

The Company has been making regular forays into diverse agri-based business viz. Seeds, Compost, Bentonite Sulphur and Pesticides. During the year, turnover of ₹ 30.08 crore was achieved compared to ₹ 22.72 crore in the previous year.



Mobile Soil Testing Lab

HUMAN RESOURCE

Company is taking enough measures to ensure that organization is equipped with right type of people in adequate number to maintain operational efficiency. Manpower cost of the Company has risen substantially since implementation of last pay revision. The qualification mix/skill set of the employees is required to be improved commensurate with the technological upgradation undertaken at all the plants. To improve talent retention and to maintain competitive edge, a study by outside experts for optimum manpower including organizational structure, performance management system and promotion policy has been undertaken. The report of the Committee is being examined for implementation. To keep the employees motivated, several employee welfare schemes are in place. Recently a defined Contribution Superannuation Pension Scheme has been introduced. In the coming years, number of employees in executive and non-executive cadre shall be superannuating.

REVIEW OF FINANCIAL PERFORMANCE

During the year under review, the Company achieved turnover of ₹ 6747 crore (previous year ₹ 7341 crore). The earnings before interest, depreciation and tax (EBIDTA) at ₹ 17 crore was lower than ₹ 342 crore achieved in previous year. The loss before tax was ₹ 230.62 crore (previous year profit ₹ 184.20 crore) and loss after tax was ₹ 170.73 crore (previous year profit ₹ 126.73 crore). The short-term borrowings of the company as at 31st March, 2013, stood at ₹ 1703.29 crore including cash credit utilization, short-term loans, working capital demand loan, etc. (₹ 1383.82 crore as at 31st March, 2012). Delay in receipt of urea subsidy lead to more borrowings for meeting working capital requirements. In addition, during the year, long-term loans of ₹ 2109 crore have been availed for Ammonia Feedstock Changeover Projects and ₹ 196.75 crore External Commercial Borrowings have been utilized for financing Capacity Enhancement of Urea at Vijaipur.

Analysis of the Financial Performance of the Company:

(a) Turnover

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Sales Turnover (Gross)	6746.73	7340.53	(8.09)

The decrease in sales turnover is mainly due to lower production due to shutdown taken for commissioning of revamp and Ammonia Feedstock Changeover Projects at Vijaipur, Bathinda and Panipat units.

(b) Interest Earned

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Loan to Employees, Term deposit etc.	4.78	4.64	3.02

(c) Other Income

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Other Income (Rent, profit on sale of assets, misc. income etc.)	31.84	32.73	(2.72)

(d) Consumption of Raw Materials

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Raw Materials Consumed	4169.25	4399.91	(5.24)

The decrease in consumption of raw materials is mainly on account of lower production arising out of shutdown taken at Nangal, Bathinda, Panipat and Vijaipur for AFCP and Revamp Projects.

(e) Repairs & Maintenance

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Repairs and Maintenance	90.38	80.31	12.54

The increase in Stores & Spares consumption and Repair & Maintenance is due to extended shutdown for revamp and Ammonia Feedstock Changeover Projects at Vijaipur, Bathinda and Panipat units.

(f) Employees Benefits

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Employee Remuneration & Benefits	417.89	407.83	2.47

Employee remuneration and benefits increased on account of higher actuarial provisioning towards employee benefits scheme, normal increase in dearness allowance, etc.

(g) Power and Fuel

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Power and Fuel	1468.10	1618.73	(9.31)

The decrease in consumption of power and fuel is mainly on account of lower production arising out of shutdown taken at Nangal, Bathinda, Panipat and Vijaipur for AFCP and Revamp Projects.

(h) Freight and Handling

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Freight and Handling	305.53	274.20	11.43

The increase in freight and handling expense is mainly due to increase in rail freight rates during the year due to change of Classification of urea in the railway tariff.

(i) Other Expenses

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Other Expenses (incl. Prior period exp.)	123.05	128.80	(4.46)

FINANCIAL STATUS

(a) Fixed Assets

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Tangible Assets	3490.35	548.35	536.52
Intangible Assets	10.17	1.27	700.79
Capital work in progress	1358.45	2653.38	(48.80)
Total	4858.97	3203.00	51.70

The increase in fixed assets is mainly due to capitalization of Energy Saving and Urea capacity enhancement at Vijaipur and changeover of feedstock from fuel oil to natural Gas at Bathinda and Panipat units and increase in expenditure incurred on project changeover of feedstock from fuel oil to natural gas at Nangal unit.

(b) Non-current Investment

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Investments (Net of Provisions)	0.03	0.03	-

(c) Inventories

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Raw Materials	0.06	177.68	(99.97)
Stores and Spares (including packing material)	174.76	196.74	(11.17)
Semi-finished / finished products	242.79	142.40	70.50
Total	417.61	516.82	(19.20)

Decrease in value of stock of raw materials is due to stoppage of consumption of LSHS/FO at Nangal, Bathinda and Panipat units. However, stock of semi-finished/finished products has increased due to lower availability of railway wagons/rakes at Vijaipur-I & II.

(d) Trade Receivables

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Gross Debtors – FICC	3038.52	2333.82	30.20
- Others	119.31	105.76	12.81
Less: Provision for Doubtful Debts	11.66	11.86	(1.69)
Net Debtors	3146.17	2427.72	29.59

The increase in debtors is mainly due to delay in receipt of subsidy from Fertilizer Industry Coordination Committee (FICC) from October, 2012 onwards.

(e) Short term Loans & Advances

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Loans and Advances	127.02	142.22	(10.69)

(f) Current Liabilities

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Short Term Borrowings	1703.29	1383.82	23.09
Trade Payables	337.47	437.84	(22.92)
Other current Liabilities	1645.68	892.77	84.33
Short Term Provisions	43.06	66.55	(35.30)
Total	3729.50	2780.98	34.11

The increase in short term borrowings is on account of higher working capital requirement arising from delay in receipt of subsidy from Government. The increase in other current liabilities is due to increase in creditors for capital works.

(g) Non-current Liabilities

(₹ in crore)

Particulars	FY 2012-13	FY 2011-12	Change (%)
Long Term Borrowings	3091.62	1600.81	93.13
Other long term liabilities	46.36	33.10	34.02
Total	3135.98	1633.91	91.93

The increase in long term borrowings is due to Rupee Term Loans, and ECB loans taken for financing the projects of changeover of feedstock at Nangal, Bathinda and Panipat units and Energy Saving and Urea capacity enhancement at Vijaipur. In terms of Government Policy notified on 6th March, 2009, the Company is entitled to capital subsidy after successful commissioning of AFCP projects over a period of 5 years towards project cost, interest on borrowed capital and return on own funds.

INTERNAL CONTROLS

The Company has put in place adequate internal control measures in all areas for the purpose of protecting its resources against waste, fraud and in-efficiency, ensuring accuracy and reliability in accounting and operating data and securing compliance with policies of the organization.

These measures are in the form of various codes, manuals and procedures, issued by the management, covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, Personnel etc. These manuals, etc. are updated from time to time and are subject to strict compliance.

Company has an internal audit set up empowered to examine, evaluate, monitor and report to the highest level of management on adequacy and effectiveness of the whole range of internal controls and compliance with policies, plans and statutory requirements. Independent Chartered Accountant firms carried out internal audit activities.

Continuous audit and verification of the systems enables to plug any shortcomings in the system. Audit Committee and Management periodically review the functioning of internal audit and internal control system, its adequacy and effectiveness.

CAUTIONARY STATEMENT

Statements in the Management Discussions and Analysis describing the Company's focal objectives, expectations or anticipations may be forward looking statements within the meaning of applicable securities, laws and regulations that describe our objectives, plans or goals. All these forward looking statements are subject to certain risks and uncertainties, including but not limited to, Government action, economic development, and risks.

ANNUAL ACCOUNTS

2012-2013

BALANCE SHEET AS AT 31ST MARCH 2013

	Notes	As at 31 st March 2013	₹ Crore As at 31 st March 2012
<u>EQUITY AND LIABILITIES</u>			
Shareholders' funds			
Share capital	1	490.58	490.58
Reserves and surplus	2	1093.12	1263.85
		1583.70	1754.43
Deferred Income			
(Grant from Government of India)	3	2445.17	-
Non-current liabilities			
Long-term borrowings	4	3091.62	1600.81
Deferred tax liabilities (Net)	5	11.17	71.00
Other Long term liabilities	6	44.36	33.10
Long-term provisions	7	179.88	169.34
		3327.03	1874.25
Current liabilities			
Short-term borrowings	8	1703.29	1383.82
Trade payables	9	337.47	437.84
Other current liabilities	10	1645.68	892.77
Short-term provisions	11	43.06	66.55
		3729.50	2780.98
Total		11085.40	6409.66
<u>ASSETS</u>			
Non-current assets			
Fixed assets			
Tangible Assets	12	3490.35	548.35
Intangible Assets	13	10.17	1.27
Capital work-in-progress	14	1358.45	2653.38
Non-current Investments	15	0.03	0.03
Long-term loans and advances	16	55.94	115.71
Other non-current Assets	17	1941.90	0.83
		6856.84	3319.57
Current assets			
Inventories	18	417.61	516.82
Trade receivables	19	3146.17	2427.72
Cash and cash equivalents	20	6.04	2.77
Short-term loans and advances	21	127.02	142.22
Other current Assets	22	531.72	0.56
		4228.56	3090.09
Total		11085.40	6409.66

Notes 1 to 33 and Significant Accounting Policies and General information given in Annexure-A form integral part of the Financial Statements

For and on behalf of the Board of Directors

TEK CHAND GM (F&A) I/c & Company Secretary	NEERU ABROL DIRECTOR (FINANCE)	R. G. RAJAN CHAIRMAN & MANAGING DIRECTOR
--	--	--

As per our report of even date attached

For THAKUR, VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 000038N

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 006791N

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 29th May, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

		Year ended 31 st March 2013	₹ Crore Year ended 31 st March 2012
	Notes		
Revenue			
Revenue from operations (gross)	23	6746.73	7340.53
Less: Excise duty		(26.50)	(35.24)
Revenue from operations (net)		6720.23	7305.29
Other Income	24	36.62	37.37
Total Revenue (I)		6756.85	7342.66
Expenses			
Cost of Materials consumed	25	4346.39	4526.29
Purchase of Traded Goods	26	28.36	21.50
(Increase)/Decrease in inventories of finished goods, work-in-progress and traded goods	26	(100.03)	(56.07)
Employee Benefits Expense	27	417.89	407.83
Power and Fuel	28	1468.10	1618.73
Freight and Handling		305.53	274.20
Repairs and Maintenance	29	90.38	80.31
Finance Cost	30	129.73	66.42
Depreciation and Amortization Expense	31	117.67	91.47
Other Expenses	32	123.05	128.80
Prior Period Expenses (net) {refer S. No. 5.1 of Annexure -A}		2.99	(1.02)
Total Expenses (II)		6930.06	7158.46
Profit/(Loss) before Exceptional item (III)=(I)-(II)		(173.21)	184.20
Exceptional Item {refer S. No. 3 of Annexure -A} (IV)		57.41	-
Profit/(Loss) before Tax (V)=(III)-(IV)		(230.62)	184.20
Tax expenses:			
Current tax		-	79.53
Deferred tax		(60.05)	(19.90)
Earlier years'		0.16	(2.16)
Total Tax Expense (VI)		(59.89)	57.47
Profit/(Loss) for the year (VII)=(V)-(VI)		(170.73)	126.73
Earnings per equity Share			
Basic / Diluted earnings per share {par value ₹10 each} (₹)	33	(3.48)	2.58

There are no extraordinary items and discontinuing operations.

Notes 1 to 33 and Significant Accounting Policies and General information given in Annexure-A form integral part of the Financial Statements

For and on behalf of the Board of Directors

TEK CHAND GM (F&A) I/c & Company Secretary	NEERU ABROL DIRECTOR (FINANCE)	R. G. RAJAN CHAIRMAN & MANAGING DIRECTOR
--	--	--

As per our report of even date attached

For THAKUR, VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS
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For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 006791N

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 29th May, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/(Loss) Before Tax	(230.62)	184.20
Adjustments For :		
Depreciation / Amortization	117.67	91.47
Interest (Net)	124.95	61.78
Loss on Sale of Fixed Assets	0.02	0.05
Exchange Rate Variation (Net)	2.23	2.77
Provision for purchases tax liability	57.41	-
Provision for Doubtful Debts/ Advances	0.19	1.36
Stores and Spares write offs	3.91	4.26
Assets written off	0.46	0.35
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	76.22	346.24
Adjustments For :		
Trade and Other Receivables	(3107.18)	(811.22)
Inventories	95.30	(157.92)
Trade Payables & Others	3080.86	602.95
Direct Taxes paid	(8.66)	(97.75)
NET CASH FROM OPERATING ACTIVITIES	136.54	(117.70)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(1793.45)	(2170.59)
Purchase of Investments	-	-
Sale of Investments	-	-
Fixed Assets Sold/Discarded	19.33	0.29
Interest Received	4.78	4.64
NET CASH FROM INVESTING ACTIVITIES	(1769.34)	(2165.66)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Working Capital Borrowings	327.28	739.98
Long Term Loans	1490.81	1409.59
Short Term Loans	(7.81)	222.00
Interest Paid	(129.73)	(66.42)
Dividend/Distribution Tax paid	(44.48)	(48.46)
NET CASH FROM FINANCING ACTIVITIES	1636.07	2256.69
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	3.27	(26.67)
Cash And Cash Equivalents (Closing Balance)	6.04	2.77
Cash And Cash Equivalents (Opening Balance)	2.77	29.44
NET INCREASE IN CASH & CASH EQUIVALENTS	3.27	(26.67)

For and on behalf of the Board of Directors

TEK CHAND GM (F&A) I/c & Company Secretary	NEERU ABROL DIRECTOR (FINANCE)	R. G. RAJAN CHAIRMAN & MANAGING DIRECTOR
--	--	--

As per our report of even date attached

For THAKUR, VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 000038N

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

Place: New Delhi
Date: 29th May, 2013

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 006791N

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 1 SHARE CAPITAL		
Authorized		
100,00,00,000 Equity Shares of ₹ 10 each	<u>1000.00</u>	<u>1000.00</u>
Issued, Subscribed and Paid -UP	490.58	490.58
49,05,78,400 Equity Shares of ₹ 10 each fully paid up	<u>490.58</u>	<u>490.58</u>

a. There has been no movement in the Issued, Subscribed and Paid -UP capital of the Company.

b. Terms/Rights attached to equity shares

The Company has only one class of equity share having a face value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share and entitled to dividends approved by shareholders.

In the event of liquidation of the company, the holders of equity share will be entitled to receive remaining assets of the company, after distribution to creditors and all preferential amounts. The distribution will be in proportion to the number of equity shares held by each shareholder

c. Details of shareholders holding more than 5% shares in the company

	As at 31 st March 2013		As at 31 st March 2012	
	No.	%	No.	%
Equity Shares of ₹10 each fully paid				
Government of India	479000500	97.64	479000500	97.64

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

		As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 2 RESERVES AND SURPLUS			
Capital Reserve (Capital reserves relate to surplus on disposal of fixed assets over the cost)	A	2.51	2.51
General Reserve			
As per last Balance sheet		322.79	310.12
Add: Transferred from Surplus		-	12.67
Closing Balance	B	<u>322.79</u>	<u>322.79</u>
Debenture Redemption Reserve			
As per last Balance sheet		25.10	-
Add: Transferred from Surplus		-	25.10
Closing Balance	C	<u>25.10</u>	<u>25.10</u>
Surplus in Statement of Profit and Loss			
As per last Balance sheet		913.45	868.97
Add : Profit / (Loss) for the year transferred from Statement of Profit & Loss		(170.73)	126.73
Less: Appropriations			
Proposed Dividend		-	(38.27)
Tax on proposed dividend		-	(6.21)
Transfer to general reserve		-	(12.67)
Transfer to debenture redemption reserve		-	(25.10)
Total Appropriations		<u>-</u>	<u>(82.25)</u>
Net Surplus	D	742.72	913.45
Total (A+B+C+D)		<u>1093.12</u>	<u>1263.85</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 3 DEFERRED INCOME (Grant from Government of India)		
As per last Balance sheet	-	-
Add: Addition during the year *	2449.52	-
Less : Depreciation transferred to Statement of Profit & loss	4.35	-
	<u>2445.17</u>	<u>-</u>

- * The capital grant from Govt. of India, Ministry of Chemicals & Fertilizers for feed stock conversion project from 'LSHS/FO' to 'Gas' vide sanction letter no. 14016/2/2007-FP(Vol.II)(2) dated 8.02.2010 for Panipat Unit and sanction letter no. 14016/2/2007-FP(Vol.II)(1) dated 8.02.2010 for Bhatinda Unit for similar conversion has accrued since the conditions attached to the grant have been fulfilled by the Company. The grant has been accordingly accounted for as contemplated under para 6.1 of Accounting Standard -12 on 'Accounting for Government Grants'. The Government would reimburse the above grant over a period of 5 years. The project cost that would be disbursed shall be admitted after scrutiny by a team constituted by the Government. The variations, if any, in the amount involved in the grant to be disbursed (including the differences, if any in the estimated value of assets discarded after conversion and actual sales realization thereof) shall be accounted for by the company in the year scrutiny of project cost is completed by the Government appointed team. While arriving at the amount of grant accrued to the Company, the deduction has been made for the amount of disposable value of discarded assets at the written down value of the assets concerned.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 4 LONG TERM BORROWINGS		
Bonds/Debentures (Secured)		
1004 (Previous year 1004) 9.42% Secured Redeemable Non Convertible Bonds of ₹10,00,000/- each	100.40	100.40
Term Loans		
Rupee loans from scheduled banks (Secured)	2681.00	1342.00
Foreign currency External Commercial Borrowing from scheduled banks (Secured)	274.20	77.45
Foreign currency term loans - Buyers Credit (Unsecured)	36.02	80.96
	3091.62	1600.81
The above amount includes		
Secured borrowings	3055.60	1519.85
Unsecured borrowings	36.02	80.96
Net Amount	3091.62	1600.81

- 9.42% Secured Redeemable Non-Convertible Bonds of ₹10,00,000/- each issued with five years tenor redeemable at par in three installments at the end of third year from issue date of 15th September, 2011 (30% at end of 3rd year, 30% at the end of 4th year and balance 40% at end of 5th year). These bonds are secured by mortgage/charge on land and building of Company located at Corporate office at Noida.
- Rupee loan from scheduled banks, with total sanctioned amount of ₹3850 crore for Ammonia Feedstock Conversion Projects is secured by first charge ranking pari-passu inter-se on entire fixed assets, movable and immovable (present & future) related to Nangal, Bathinda & Panipat units and second charge over the entire current assets and subsidy (excluding reimbursement related to energy savings and interest expenses) of the Company. Repayment of sanctioned term loan would fall due for ₹ 770 crore in FY 2014-15, ₹770 crore in FY 2015-16, ₹ 770 crore in FY 2016-17 and ₹ 770 crore in FY 2017-18. The rate of interest on the term loan is linked to the SBI base rate and during the period varied between 11.20%-11.50% p.a.
- Foreign currency External Commercial Borrowing (ECB) loan from Schedule Banks, with total sanctioned limit of USD 50 million has been used for energy saving and urea capacity augmentation projects at Vijaipur and is secured by first pari-passu charge on all fixed assets, movable and immovable (both present and future) related to Vijaipur and second pari-passu charge on the current assets (both present and future) and subsidy of the Vijaipur Unit. The rate of interest is 6 months USD LIBOR plus margin of 3.05% p.a. and upfront arrangement fee of 1.58% of facility. Repayment of ECB loan would fall due for ₹ 46.61 crore in FY 2014-15, ₹ 49.90 crore in FY 2015-16, ₹ 49.91 crore in FY 2016-17, ₹ 49.90 crore in FY 2017-18, ₹49.91 crore in FY 2018-19 and ₹ 27.97 crore in FY 2019-20.
- Foreign currency loans - Buyers Credit from scheduled Banks, total drawn amount of USD 15.68 million for energy saving and urea capacity augmentation projects at Vijaipur. The rate of interest is 6 months LIBOR plus margin of 2.00% p.a. for Buyer Credit of USD 9.89 million and 6 months USD LIBOR plus margin of 1.50%p.a. and upfront fee of 1.10% p.a. for Buyer's credit of USD 5.79 million. Repayment of Buyer's credit would fall due for ₹36.02 crore in FY 2014-15.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 5 DEFERRED TAX LIABILITIES (NET)		
Deferred tax liability		
Fixed assets: Impact of difference between depreciation as prescribed under Income Tax Act, 1961 and depreciation/ amortization charged in books of accounts	153.12	118.28
Deferred tax assets		
Impact of expenditure and provisions charged to the statement of profit and loss during the year but allowed on deferred basis for tax purpose.	(57.99)	(47.28)
Losses carried forward	(83.96)	-
Net deferred tax liabilities	<u>11.17</u>	<u>71.00</u>

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 6 OTHER LONG -TERM LIABILITIES		
Others	44.36	33.10
	<u>44.36</u>	<u>33.10</u>

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 7 LONG TERM PROVISIONS		
Provision for employee benefits *	179.88	169.34
	<u>179.88</u>	<u>169.34</u>
* Item wise breakup of Provisions for employee benefits		
Earned Leave	61.55	55.96
Half Pay Leave	46.52	41.40
Post Retirement Medical Benefits	58.68	59.54
Post Retirement Settlement Benefits	1.02	0.94
Long Service Award	0.53	0.55
Social Security Benefits	6.30	6.54
Employees' Family Economic Rehabilitation Scheme	5.28	4.41
	<u>179.88</u>	<u>169.34</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 8 SHORT TERM BORROWINGS		
Cash credit from Banks (Secured)	1411.10	1083.82
Commercial Papers (Unsecured)	-	200.00
Short Term loans from Banks (Unsecured)	292.19	100.00
	1703.29	1383.82
The above amount includes		
# Secured borrowings (Cash Credit)	1411.10	1083.82
Unsecured borrowings	292.19	300.00
	1703.29	1383.82

#Secured by first charge ranking pari-passu inter-se against hypothecation of inventories, book debts and other current assets of the Company.

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 9 TRADE PAYABLES		
Trade payables (refer S. No 7 of Annexure-A for details of dues to Micro, Small & Medium Enterprises)	337.47	437.84
	337.47	437.84

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 10 OTHER CURRENT LIABILITIES		
Current maturities of long term borrowings	819.97	-
Security Deposits	60.02	46.82
Interest accrued but not due on borrowings	5.63	0.98
Advances from customers	21.53	30.48
Creditors for Capital Works	583.97	701.67
Unpaid dividend	0.05	0.03
Statutory Dues	76.07	29.10
Liability for employee benefits / remuneration	50.82	57.55
Others	27.62	26.14
	1645.68	892.77

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 11 SHORT TERM PROVISIONS		
Provisions for employee benefits *	43.06	22.07
Proposed dividend	-	38.27
Provision for tax on proposed dividend	-	6.21
	43.06	66.55
* Item wise breakup of Provisions for employee benefits:		
Gratuity	18.97	7.72
Earned Leave	15.25	6.09
Half Pay Leave	5.02	4.35
Post Retirement Medical Benefits	1.15	1.54
Post Retirement Settlement Benefits	0.10	0.09
Long Service Award	0.13	0.14
Social Security Benefits	1.17	1.22
Employees' Family Economic Rehabilitation Schemes	1.27	0.92
	43.06	22.07

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE: 12 TANGIBLE ASSETS

₹ Crore

DESCRIPTION	Gross Block				Depreciation				Net Block	
	As at 1 st April, 2012	Additions	Deductions/ Adjustments	As at 31 st March, 2013	As at 1 st April, 2012	For the year	On Deductions/ Adjustments	Upto 31 st March, 2013	As at 31 st March, 2013	As at 31 st March, 2012
LAND										
- Freehold	11.92			11.92		-	-	-	11.92	11.92
- Leasehold	12.71			12.71	5.70	0.25	-	5.95	6.76	7.01
BUILDINGS										
- on Freehold Land	68.13	71.84	0.02	139.95	44.14	1.19	0.02	45.31	94.64	23.99
- on Leasehold Land	85.01	1.03		86.04	37.46	1.77	-	39.23	46.81	47.55
Leasehold Buildings	1.36			1.36	0.78	0.05	-	0.83	0.53	0.58
Plant and Machinery	2625.22	2988.52	326.57	5287.17	2197.78	112.33	311.37	1998.74	3288.43	427.44
Furniture and Fixtures	12.97	0.34	0.40	12.91	11.38	0.50	0.37	11.51	1.40	1.59
Vehicles	3.06	0.11	0.10	3.07	1.88	0.18	0.10	1.96	1.11	1.18
Office Equipments	6.36	0.38	0.40	6.34	3.91	0.28	0.32	3.87	2.47	2.45
Others :										
Electrical Installations	64.31	7.22	0.02	71.51	52.21	1.99	0.02	54.18	17.33	12.10
Railway Sidings	12.73			12.73	12.08	0.11	-	12.19	0.54	0.65
EDP Equipments	12.07	0.20	0.10	12.17	8.20	1.26	0.08	9.38	2.79	3.87
Other Equipments	24.55	8.53	0.47	32.61	16.53	0.90	0.44	16.99	15.62	8.02
As at 31st March, 2013	2940.40	3078.17	328.08	5690.49	2392.05	120.81	312.72	2200.14	3490.35	548.35
As at 31st March, 2012	2912.44	41.77	13.81	2940.40	2314.42	90.77	13.14	2392.05	548.35	

- a. Title/Lease Deed for land acquired at Nangal (₹0.93 crore), Vijaipur (₹4.36 crore), Bathinda (₹0.15 crore), Building at Scope Complex, New Delhi (₹2.07 crore) and Land/Building at Bhopal (₹0.38 crore) are pending execution.
- b. 325.70 acres of land at Nangal (₹ 0.12 crore) had been symbolically possessed by the Punjab Government on 29.10.1998 without determination of consideration. Though the ownership of the entire land including 325.70 acres vests with the Company, however, the physical possession of 325.70 acres of land is with its erstwhile owners.
- c. Feed Stock Conversion Projects from 'LSHS/FO' to 'Gas' at Bhatinda & Panipat Unit acquired under Government's policy for reimbursement of project cost to the Company over a period of five years from the date of commercial production, have been capitalized on 11th March, 2013 and on 28th March, 2013 respectively. Accordingly, Fixed assets includes additions of assets amounting to ₹2449.52 represented by capital grant as contemplated in note 3 earlier.
- d. Buildings includes office premises given on operating lease. The details of such leased premises are as under:

₹ Crore

- (i) Original Cost 4.23
- (ii) Accumulated depreciation upto 31st March 2013 1.39
- (iii) Net Written Down Value as at 31st March 2013 2.84
- (iv) Depreciation recognized in Statement of Profit & Loss for the year ended 31st March 2013 0.08
- (v) Impairment losses recognized in Statement of Profit & Loss for the year ended 31st March 2013 -
- (vi) Impairment losses reversed in Statement of Profit & Loss for the year ended 31st March 2013 -

₹ Crore

e. Addition to Fixed Assets includes :

Current Year

Previous year

Employees' Remuneration & Benefits

Power & fuel

Project Management fee

Other Expenses

Depreciation

Start-up Expenses (net)

Foreign Exchange Fluctuation

Finance cost

12.20

27.11

17.01

6.42

0.14

6.44

3.37

232.60

-

-

-

-

-

-

-

-

Total

305.29

-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

NOTE: 13 INTANGIBLE ASSETS

₹ Crore

DESCRIPTION	Gross Block				Amortization				Net Block	
	1 st April, 2012	Additions	Deductions/ Adjustments	31 st March, 2013	1 st April, 2012	For the year	On Deductions/ Adjustments	Upto 31 st March, 2013	As at 31 st March, 2013	As at 31 st March, 2012
Computer Software	2.33	-	-	2.33	1.06	0.48		1.54	0.79	1.27
Licence and Know-how	14.14	10.21		24.35	14.14	0.83		14.97	9.38	-
As at 31st March, 2013	16.47	10.21		26.68	15.20	1.31		16.51	10.17	1.27
As at 31st March, 2012	15.75	0.72	-	16.47	14.77	0.43	-	15.20	1.27	

₹ Crore

NOTE : 14 CAPITAL WORK-IN-PROGRESS

	As at 31st March 2013	As at 31st March 2012
Buildings	0.07	0.57
Plant and Machinery	1059.77	1867.51
Capital Stores	91.69	654.86
Expenditure during Construction period pending allocation	206.92	130.44
	1358.45	2653.38
Reconciliation of Expenditure during construction:		
Opening Balance	130.44	32.18
Expenditure during the year:		
Employees' Remuneration & Benefits	6.68	6.65
Power & fuel	27.70	2.68
Project Management fee	5.83	7.73
Other Expenses	0.38	2.66
Depreciation	0.10	0.08
Start-up Expenses (net)	69.38	-
Foreign Exchange Fluctuation	-	3.37
Finance cost	271.70	75.09
Total Expenditure	512.21	130.44
Less: Transfer to Fixed Assets	305.29	-
Closing balance carried over	206.92	130.44

Capital work-in-progress includes amount of ₹1,310.60 crore incurred upto 31st March, 2013 relating to feedstock conversion projects from 'LSHS/FO' to 'Gas' at Nangal unit. In terms of Government policy notified on 6th March, 2009, the Company is entitled to reimbursement of project cost from the date of commercial production after conversion upto the end of 5 years.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 15 NON-CURRENT INVESTMENTS (UNQUOTED)		
Trade Investments		
Investment in joint venture #		
180002 Equity shares with face value of ₹10 each fully paid up in Urvarak Videsh Limited	0.18	0.18
Provision for diminution in value of investments	(0.15)	(0.15)
	<u>0.03</u>	<u>0.03</u>
Investment in Co-operative Societies (trade)		
1250 shares with face value of ₹10 each fully paid up in NFL Employees' Consumer co-operative stores	*	*
100 shares with face value of ₹50 each fully paid up in NFL Employees' Consumer co-operative stores	*	*
	<u>*</u>	<u>*</u>
Aggregate amount of unquoted investments	0.18	0.18
Aggregate provision for diminution in value of investments	(0.15)	(0.15)
	<u>0.03</u>	<u>0.03</u>

In compliance with Accounting Standard 27 on "Financial Reporting of Interest in Joint Ventures". The Reporting information is as under :

Joint controlled entity

Name of the Company	Country of Incorporation	Percentage of ownership interest as on	
		31.03.2013	31.03.2012
Urvarak Videsh Limited	India	33.33	33.33

Urvarak Videsh Limited a joint venture with Krishak Bharti Co-operative Limited and Rashtriya Chemicals Limited for revival of closed fertilizer units of FCI/HFC group of Companies has been formed in FY 2008-09.

* Being less than ₹ 50,000/-, figures not given.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

		As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 16 LONG TERM LOANS AND ADVANCES			
Unsecured, considered good unless otherwise stated			
Capital advances	A	6.74	65.00
Loans to employees (including interest accrued)			
Secured, considered good	B	16.67	17.23
Security Deposits	C	12.63	12.79
Advances			
Employees		3.69	4.44
Others		<u>16.21</u>	<u>16.25</u>
	D	19.90	20.69
Total (A+B+C+D)		<u>55.94</u>	<u>115.71</u>

		As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 17 OTHER NON-CURRENT ASSETS			
Capital Grant Recoverable from Government of India #		1941.62	-
Unamortized premium on foreign currency forward contracts		<u>0.28</u>	<u>0.83</u>
		<u>1941.90</u>	<u>0.83</u>

Capital Grant recoverable from GOI represents the grant to be disbursed by GOI for feed stock conversion project from 'LSHS/FO' to 'Gas' as contemplated in Note 3 referred to earlier.

		As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 18 INVENTORIES (as Certified by the Management)			
Raw materials		0.06	149.27
Add: In transit		<u>-</u>	<u>28.41</u>
		0.06	177.68
Packing Materials		4.60	9.16
Add: In transit		0.82	1.18
Less: Provision		<u>(0.04)</u>	<u>(0.04)</u>
		5.38	10.30
Stores and spares		167.34	174.89
Add: In transit		3.36	12.81
Less: Provision		<u>(1.32)</u>	<u>(1.26)</u>
		169.38	186.44
Semi-finished goods		26.73	18.04
Finished goods		119.98	32.20
Add: In transit		<u>96.08</u>	<u>92.16</u>
		<u>216.06</u>	<u>124.36</u>
		<u>417.61</u>	<u>516.82</u>

Inventories have been valued at lower of cost (including excise duty where applicable) or net realizable value

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

₹ Crore

NOTE : 19 TRADE RECEIVABLES

Debts outstanding for a period more than six months from the date they are due for payment

Subsidy (Government of India)

Others

**As at
31st March 2013**

**As at
31st March 2012**

-
12.20 12.20

25.00
11.93 36.93

Other debts

Subsidy (Government of India)

Others

3038.52
107.11 3145.63

2308.82
93.83 2402.65

Provision for doubtful receivables

(11.66) (11.86)

Total

3146.17 2427.72

Aggregate of trade receivables:

Unsecured, considered good (including debts backed by bank guarantees ₹0.51 crore, previous year ₹4.69 crore)

3146.17 2427.72

Unsecured, considered doubtful

11.66 11.86

Less: Provision for doubtful receivables

(11.66) (11.86)

3146.17 2427.72

NOTE : 20 CASH AND CASH EQUIVALENTS

Balances with banks:

Current accounts

0.45 0.41

Unpaid dividend account

0.05 0.03

Margin money against bank guarantees

1.78 1.00

Cash in hand

0.12 0.10

Cheques in hand/remittances in transit

3.64 1.23

6.04 2.77

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

		As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE : 21 SHORT TERM LOANS AND ADVANCES			
Unsecured, considered good unless otherwise stated			
Loans to employees (including interest accrued)			
Secured, considered good	A	3.32	3.25
Security Deposits	B	3.30	2.55
Advances			
Contractors		0.33	0.72
Suppliers #		146.34	160.02
Employees *		3.01	6.14
Claims recoverable		10.16	12.24
Balances with customs and excise authorities		0.96	1.47
Tax refunds		76.16	58.18
Tax (net of provision)		8.43	17.69
Fixed deposit as case property		1.32	1.32
Others		10.89	15.76
		257.60	273.54
Unsecured, considered good from above		120.40	136.42
Unsecured, considered doubtful from above		137.20	137.12
Provision for doubtful advances		(7.56)	(7.48)
Provision for doubtful advances appropriated from reserve		(129.64)	(129.64)
	C	120.40	136.42
Total (A+B+C)		127.02	142.22

* Includes amount due from Director

₹ 23,900/-

₹ 23000/-

Maximum amount due at any time during the year from Director

₹ 1,42,500/-

-

Includes an advance of ₹130.69 crore (US\$ 37.62 million) given to a foreign supplier M/s. Karsan during the year 1995-96 against import of Urea, the supplies of which were not received and subsequently the contract was terminated. Pending litigation, the amount has been fully provided for in the earlier years from the revenue reserve and surplus.

The outstanding advance (net of recovery) of ₹129.64 crore is shown in the Accounts under "Loans and Advances Recoverable" with corresponding adjustment in revenue reserve. Adjustment, if any, shall be made on settlement of the litigation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

₹ Crore

As at

31ST March 2012

As at
31ST March 2013

NOTE : 22 OTHER CURRENT ASSETS

Capital Grant Recoverable from Government of India *	507.90	-
Interest recoverable from Government of India	9.27	-
Unamortized premium on foreign currency forward contracts	0.55	0.56
Assets held for disposal **	14.00	#
	531.72	0.56

* Capital Grant recoverable from GOI represents the grant to be disbursed by GOI for feed stock conversion project from 'LSHS/FO' to 'Gas' as contemplated in Note 3 referred to earlier.

** Assets held for sale represents the written down value of the assets discarded during the process contemplated in note no. 3 referred to earlier. The written down value of the discarded Non-current assets is in the opinion of the management lower than the realizable value of these assets.

Being less than ₹50,000/-, figure not given.

NOTE : 23 REVENUE FROM OPERATIONS

Sale of products

Finished goods	1697.05	1955.01
Traded goods	30.08	22.72
	1727.13	1977.73

Other operating revenue

Subsidy from Government of India:

Finished goods (Urea)

Price subsidy	4753.83	5113.37
Freight subsidy	265.77	249.43

Total subsidy (b) **5019.60** **5362.80**

Revenue from operations (gross) (a)+(b)

Less: Excise duty (26.50) (35.24)

Revenue from operations (net) **6720.23** **7305.29**

Details of products sold (including subsidy)

Finished goods

Urea	6594.52	7111.66
Sulphur	10.73	11.54
Others	84.90	159.37
	6690.15	7282.57

Traded goods

Seeds	25.97	20.81
Others	4.11	1.91
	30.08	22.72
	6720.23	7305.29

Subsidy includes for the earlier years notified during the current year

Price Subsidy (Urea)	1.88	(0.56)
Freight Subsidy (Urea)	(0.01)	(22.63)
	1.87	(23.19)

Sales (including subsidy) net of excise duty not included above and charged to expenditure during construction

637.50

-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

₹ Crore

	As at 31 st March 2013	As at 31 st March 2012
NOTE : 24 OTHER INCOME		
Interest income		
Term Deposits	0.15	0.60
Loan to employees	1.60	1.52
Others	3.03	2.52
(A)	<u>4.78</u>	<u>4.64</u>
Other non-operating income		
Rent	15.69	13.03
Miscellaneous income	16.15	19.70
(B)	<u>31.84</u>	<u>32.73</u>
(A+B)	<u>36.62</u>	<u>37.37</u>

₹ Crore

	As at 31 st March 2013	As at 31 st March 2012
NOTE : 25 COST OF MATERIAL CONSUMED		
Raw Material		
Inventory at the beginning of the year	177.14	118.09
Purchases	3992.16	4459.50
	<u>4169.30</u>	<u>4577.59</u>
Inventory at the end of the year	(0.05)	(177.68)
Cost of raw material consumed	<u>4169.25</u>	<u>4399.91</u>
Packing material	89.62	91.23
Stores and spares	87.52	35.15
	<u>4346.39</u>	<u>4526.29</u>
Itemwise break up of raw material consumed		
LSHS	1775.59	2506.52
Fuel Oil	735.65	556.04
Natural Gas	1629.42	1326.74
Others	28.59	10.61
	<u>4169.25</u>	<u>4399.91</u>
Expenses not included above and charged to expenditure during construction	499.05	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	As at 31 st March 2012	₹ Crore (Increase)/ Decrease
NOTE: 26 (INCREASE/DECREASE IN INVENTORIES)			
Opening inventories			
Traded goods	-	-	-
Work-in-progress	18.04	21.89	(3.85)
Finished goods	124.36	64.47	59.89
	<u>142.40</u>	<u>86.36</u>	<u>56.04</u>
Closing inventories			
Traded goods	-	-	-
Work-in-progress	26.73	18.04	8.69
Finished goods	216.05	124.36	91.69
	<u>242.78</u>	<u>142.40</u>	<u>100.38</u>
(Increase)/decrease in inventories	(100.38)	(56.04)	(44.34)
Less: Excise duty included in change in inventories	(0.35)	0.03	(0.38)
Net (Increase)/decrease in inventories	<u>(100.03)</u>	<u>(56.07)</u>	<u>(43.96)</u>
Traded goods purchased			
Seeds	24.70	19.96	
Others	3.66	1.54	
	<u>28.36</u>	<u>21.50</u>	
Details of Inventory			
Work-in-progress	26.73	18.04	
Finished goods			
Urea	214.92	121.80	
Sulphur	-	1.75	
Others	1.13	0.81	
	<u>216.05</u>	<u>124.36</u>	

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 27 EMPLOYEE BENEFITS EXPENSES		
Salaries, wages and bonus	347.30	322.99
Contribution to provident and other funds	33.32	35.73
Contribution to gratuity fund	11.54	4.18
Welfare expenses	25.73	44.93
	<u>417.89</u>	<u>407.83</u>
Expenses not included above and charged to expenditure during construction	6.68	6.65

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 28 POWER AND FUEL		
Purchased power	151.14	137.53
Coal	514.91	577.18
Fuel oil	474.43	645.91
Natural gas	303.77	239.80
Others	23.85	18.31
	1468.10	1618.73
Expenses not included above and charged to expenditure during construction	234.65	2.68

Does not include employee benefits which are included in the natural head

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 29 REPAIR AND MAINTENANCE		
Plant and machinery	77.46	66.96
Buildings	6.39	7.03
Others	6.53	6.32
	90.38	80.31

Does not include employee benefits which are included in the natural head but includes components of Stores and Spares

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 30 FINANCE COSTS		
Interest :		
Cash credit	89.91	54.56
Short term loans	17.90	9.18
Others (net)	18.99	2.68
Exchange difference to the extent considered as adjustment to borrowing cost	2.93	-
	129.73	66.42
Does not include Finance costs charged to :		
Expenditure during construction period	271.70	75.09
Interest on borrowed capital due for reimbursement by Government of India financing feed stock conversion project from 'LSHS/FO' to 'Gas' at Panipat & Bhatinda Unit under the Government Policy.	9.27	-

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 31 DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation / Amortization on tangible assets	120.71	91.04
Amortization of intangible assets	1.31	0.43
	122.02	91.47
Less : Transfer from Deferred Income	4.35	-
	117.67	91.47
Depreciation not included above and charged to expenditure during construction	0.10	0.08

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 32 OTHER EXPENSES		
Rent	3.42	3.79
Rates and taxes	3.09	4.30
Insurance	9.14	7.72
Auditors' remuneration (refer details below)		
Audit Fee	0.15	0.13
Tax Audit Fee	0.05	0.04
Certification and other fee	0.07	0.05
Out of pocket expenses	0.04	0.03
	0.31	0.25
Cost Audit Fee	0.03	0.02
Security Expenses	31.58	26.33
Printing and Stationery	1.51	1.33
Advertisement, Publicity and Sales Promotion	2.39	2.56
Directors' Fees	0.02	0.01
Telephone and Postage	1.20	1.37
Travelling	14.25	15.72
Water Charges	14.16	13.99
Provision for:		
Doubtful advances	0.10	1.36
Others	0.09	-
	0.19	1.36
Write Off:		
Stores and spares	3.91	4.26
Others	0.46	0.35
	4.37	4.61
Legal Expenses	1.72	0.97
Bank Charges	2.77	3.38
Demurrage and Wharfage	2.59	3.41
Loss on sale of Assets (net)	0.02	0.05
Exchange rate variation (net)	2.23	2.77
Cash Discounts	2.21	2.45
Miscellaneous expenses	25.85	32.41
	123.05	128.80
Does not include expenses charged to expenditure during construction	7.09	13.76

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
NOTE: 33 EARNING PER EQUITY SHARE		
Profit/(Loss) after Tax (₹ Crore)	(170.73)	126.73
Average Number of Equity shares	490578400	490578400
Face value per share (₹)	10	10
Basic / Diluted earnings per share (₹)	(3.48)	2.58
The Company has not issued any security which will have the effect of diluting earnings on equity.		

SIGNIFICANT ACCOUNTING POLICIES & GENERAL ADDITIONAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Statements

The financial statements are prepared on accrual basis, as a going concern, under the historical cost convention in accordance with the generally accepted accounting principles in India (GAAP) and the provisions of the Companies Act, 1956.

1.2 Use of Estimates

The preparation of the financial statements in conformity with GAAP in India requires management to make estimates and assumptions, wherever necessary, that affect the reported amount of assets and liabilities and contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the period. Actual results could differ from those estimates. Any revision to such estimates is recognized in the period in which the results are known/materialized and the effect if material, disclosed separately.

1.3 Fixed Assets

Fixed Assets are stated at cost of acquisition or construction (including Borrowing Cost) and expenses allocated wherever applicable during construction period, exchange gain/loss attributable to the asset less accumulated depreciation and impairment loss, if any.

Expenditure during construction attributable to the fixed assets incurred upto the date of commercial production are capitalized.

1.4 Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

1.5 Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized. A qualifying asset is one, which necessarily takes a substantial period of time to get ready for the intended use. Other borrowing costs are charged to revenue in the period in which these are incurred.

1.6 Depreciation/Amortization

Depreciation on fixed assets is provided at the rates specified under Schedule XIV of the Companies Act, 1956 on straight line method on historical cost in respect of plant and machinery and computer systems by retaining residual value of five percent in respect of plant and machinery and rupee one in respect of capital spares and other fixed assets.

Leasehold land and buildings are amortized over the lease period. Buildings constructed over leasehold land are depreciated at the rates specified under Schedule XIV of the Companies Act, 1956, where the lease period is beyond the useful life of the building.

License and process know-how fee having future economic benefits is amortized on straight line method over a period of ten years or licence period, whichever is less.

License and process know-how fee acquired out of capital grants having future economic benefits is amortized on straight line method over the period of receipt of related capital grant.

Software, which is not integral part of related hardware, is treated as intangible asset and amortized on straight line method over a period of five years or its license period, whichever is less.

1.7 Investments

Long term investments are carried at cost, after providing for diminution in value, if it is of a permanent nature. Current investments are valued (individually) at lower of cost and quoted/fair value

1.8 Inventories

Raw Materials, packing materials and stores & spares, are valued at lower of monthly weighted average cost and net realizable value.

In case of stores and spares not moved for more than two years and upto five years, provision for obsolescence is made at five percent per annum (on straight line basis) and charged to revenue. In case of stores and spares not moved for more than five years/identified as surplus or obsolete, value is taken as certified by Valuers and diminution, if any is charged to revenue.

Finished and semi-finished goods are valued at lower of annual average cost inclusive of excise duty where applicable and net realizable value based on the applicable Concession/Sale Price. In warehouses carrying Finished Goods of more than one Plant, the Plant wise finished stocks are determined on first-in-first-out basis and costs worked out accordingly.

Scrap and wastes are not valued.

1.9 Foreign Currency Transactions

Transactions in foreign currency are accounted at the exchange rate prevailing on the date of the transaction.

The value of assets and liabilities in foreign currency are translated at the exchange rate prevailing at the end of the year.

Exchange Gain/Loss on conversion of foreign currency transactions is recognized as income/expense except in case of long term liability, relating to acquisition of Fixed assets where the same are adjusted to the carrying cost of such assets.

Premium incurred on foreign currency forward contracts is amortized over the period of the contract.

1.10 Employees Benefits

Payments to Defined Contribution Schemes are charged as expense on accrual basis.

Provision towards Defined Benefit Schemes is made based on the actuarial valuation as at the end of the year and is charged to Statement of Profit & Loss along with actuarial gains/losses and contribution made.

1.11 Adjustments pertaining to prior period and prepaid expenditure

Income/Expenditure pertaining to prior period and prepaid upto Rupee one lakh in each case not being considered material is included under the income/expenditure of the current year.

1.12 Revenue Recognition

Revenues are recognized as per AS-9 on Revenue Recognition.

Sales include excise duty wherever applicable and are net of rebates.

Price and Freight Subsidy is recognized based on notifications received from Fertilizer Industry Coordination Committee (FICC) an office of Government of India which regulates such subsidy. Escalation/De-escalation in notified rates is estimated taking into account the effect of guidelines, policies, instructions and clarifications given by the Government. The difference, if any based on final notification received is treated as current year income or expenditure and the effect of change in estimate, if material, is disclosed separately.

Sale of scrap/ waste materials is recognized on disposal.

1.13 Accounting for Government Grants:

Government Grants received/receivable from Government or other authorities towards capital expenditure

are treated as `Deferred Income' till utilization of grant. Government Grants are accounted for on accrual basis.

Fixed Assets acquired out of capital grants are treated on the basis of income approach and are treated as deferred income and recognized in the statement of Profit & Loss over the useful life of related assets and in proportion to which depreciation on these assets is provided.

1.14 Claims

Pending settlement, claims made on underwriters /railways /others as assessed by the Company on a possible realization basis are recognized at the time of lodgement.

1.15 Leases

Lease arrangements, where the risks and rewards incidental to ownership of the asset substantially vest with the lessor, are recognized as an operating lease. Lease payments/receipts under operating lease are recognized as an expense/income in the Statement of Profit and Loss on a straight-line method over the period of lease.

1.16 Deferred Tax

The deferred tax resulting from timing differences between book profit and taxable profit for the year is accounted for, applying the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet date.

Deferred tax assets are recognized to the extent there is a virtual certainty that the assets can be realized in future and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

1.17 Earning Per Share

Basic earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March 2013	₹ Crore As at 31 st March 2012
2. CONTINGENT LIABILITIES		
Claims against the Company not acknowledged as debts		
a. Pending Appellate/Judicial decisions:		
Income tax	277.57	269.00
Purchase tax	1.30	59.23
Excise, customs and service tax	6.56	6.04
VAT	0.30	0.14
Land compensation/development claims	3.90	3.86
Arbitration and civil cases	45.61	37.77
b. Other claims	0.62	1.20
c. Claims in respect of legal cases filed against the company for labour and other matters, amount whereof is not ascertainable	<u>335.86</u>	<u>377.24</u>
3		
Exceptional item represents Purchase Tax Liability of ₹57.41 crore (excluding interest liability) for the past period 1st September, 2001 to 31st March, 2006, hitherto considered as contingent liability has been provided. The Review petition in the matter filed on 30th August, 2012 in the Hon'ble Supreme Court of India has been dismissed on 1st November, 2012. Based on the opinion, no interest liability is envisaged upto the period final assessment order is passed.		
4 CAPITAL AND OTHER COMMITMENTS		
(i) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances). The amount as at 31st March, 2013 includes Project contracts relating to changeover of feedstock from Fuel oil to natural gas at Nangal, Panipat and Bathinda unit ₹351.83 crore (As at 31st March 2012 ₹1171.03 crore) and energy saving & capacity enhancement project at Vijaipur ₹6.79 crore (As at 31st March 2012 ₹74.25 crore).	379.39	1676.06
(ii) Unutilized amount of Letter of Credit	20.84	216.93

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31st March 2013	₹ Crore As at 31st March 2012
5 DISCLOSURE AS PER ACCOUNTING STANDARDS		
5.1 AS-5 Net profit or loss for the period, prior period items and changes in accounting policies		
5.1.1 Disclosure regarding prior period items:		
Prior period items (net):		
Depreciation	-	(0.25)
Exchange Rate variation	-	(0.77)
Other Expenses	2.99	-
	<u>2.99</u>	<u>(1.02)</u>
5.1.2 Disclosure regarding material changes in accounting estimates:		
Change in estimate of Subsidy for the earlier years notified during the year		
Price Subsidy (Urea)	1.88	(0.56)
Freight Subsidy (Urea)	(0.01)	(22.63)
	<u>1.87</u>	<u>(23.19)</u>
5.1.3 In terms of notification No. G.S.R 914(E) dated 29th December, 2011 relating to AS 11 issued by Ministry of Corporate affairs and consequent upon exercising of option by the company during financial year 2011-12 to treat long term foreign currency loan as long term foreign currency monetary items as per Clause 46A (i) of AS-11, an amount of ₹7.92 crore has been included in the addition to Fixed Assets/Capital Work in Progress as on 31st March, 2013.		

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

5.2 AS-15 (Revised): Employee Benefits

5.2.1 General description of defined benefit schemes:

Gratuity	Payable on separation @ 15 days pay for each completed year of service subject to maximum of ₹10 lakh to eligible employees who render continuous service of 5 years or more.
Leave Encashment {Earned Leave (EL) and Half Pay Leave(HPL)}	Payable on separation to eligible employees who have accumulated earned leave and half pay leave. During the service period encashment of accumulated earned leave is allowed in a financial year leaving minimum balance leave of 30 days.
Post Retirement Medical Benefits (PRMB)	Mediclaim Insurance Policy available to the retiring employee and the spouse (for a cover of ₹2 lakhs per annum) after rendering 15 years of continuous service.
Post Retirement Settlement Benefits (PRSB)	Travelling and Baggage expenses payable to retiring employees for settlement at their home town.
Long Service Award (LSA)	Payable to employees on completion of specified years of service.
Legal heirs of deceased employees and disabled employees (separated) can opt for either of the following two schemes:	
Social Security Benefits (SSB)	Lump sum payment subject to a limit of 60 months salary or ₹1 lakhs whichever is higher.
Employees' Family Economic Rehabilitation Scheme (EFERS)	Monthly payment alongwith medical and children education benefits in lieu of prescribed deposit upto the date of notional superannuation.

5.2.2 Other disclosures/reconciliation, in respect of defined benefit obligation are as under:

₹ Crore

Gratuity		EL		HPL		PRMB		PRSB		LSA	
12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12

(i) Reconciliation of present value of defined benefit obligations and plan assets:

1 Present value of projected benefit obligations at beginning of the year	178.73	174.94	62.05	59.30	45.76	42.95	61.07	51.68	1.03	1.00	0.69	0.77
2 Service Cost	6.77	6.85	2.73	2.74	1.89	1.86	2.09	1.39	0.04	0.04	0.03	0.03
3 Past Service Cost	-	-	-	-	-	-	0.11	0.11	-	-	-	-
4 Interest Cost	14.40	13.38	5.07	4.61	3.75	3.34	5.99	4.17	0.08	0.08	0.05	0.06
5 Actuarial (Gains) / Losses	5.94	(1.01)	31.79	21.41	3.87	0.75	(8.04)	5.10	0.04	(0.04)	0.06	(0.06)
6 Benefits Paid	(17.59)	(15.43)	(24.85)	(26.01)	(3.73)	(3.14)	(1.38)	(1.38)	(0.08)	(0.05)	(0.17)	(0.11)
7 Present value of projected benefit obligations at close of the year [1 to 6]	188.25	178.73	76.79	62.05	51.54	45.76	59.84	61.07	1.11	1.03	0.66	0.69
8 Fair Value of Plan assets at close of the year	(169.28)	(171.01)	-	-	-	-	-	-	-	-	-	-
9 Net Liability recognized in Balance Sheet at close of the year [7-8]	18.97	7.72	76.79	62.05	51.54	45.76	59.84	61.07	1.11	1.03	0.66	0.69

₹ Crore

Gratuity		EL		HPL		PRMB		PRSB		LSA	
12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12	12-13	11-12

(ii) Reconciliation of fair value of assets and obligations [Refer Note 1 & 2 below]:

1 Fair value of plan assets at beginning of the year	171.01	170.69	-	-	-	-	-	-	-	-	-
2 Acquisition adjustment	-	-	-	-	-	-	-	-	-	-	-
3 Expected Return on plan assets	15.57	15.04	-	-	-	-	-	-	-	-	-
4 Actual Company's contribution	-	-	-	-	-	-	-	-	-	-	-
5 Actuarial Gains/(Losses)	-	-	-	-	-	-	-	-	-	-	-
6 Benefits Payments	(17.30)	(14.72)	-	-	-	-	-	-	-	-	-
7 Fair value of plan assets at close of the year	169.28	171.01	-	-	-	-	-	-	-	-	-
8 Present value of defined benefit obligation	188.25	178.73	-	-	-	-	-	-	-	-	-
9 Net liability recognized in the Balance Sheet at close of the year [8-7]	18.97	7.72	-	-	-	-	-	-	-	-	-

(iii) Expenses recognized in the Statement of Profit & Loss Account:

1 Service Cost	6.77	6.85	2.73	2.74	1.89	1.86	2.09	1.39	0.04	0.04	0.03	0.03
2 Past Service Cost	-	-	-	-	-	-	0.11	0.11	-	-	-	-
3 Interest Cost	14.40	13.38	5.07	4.61	3.75	3.34	5.99	4.17	0.08	0.08	0.05	0.06
4 Actuarial (Gains) / Losses	5.94	(1.01)	31.79	21.41	3.87	0.75	(8.04)	5.10	0.04	(0.04)	0.06	(0.06)
5 Expected return on Plan Assets	(15.57)	(15.04)	-	-	-	-	-	-	-	-	-	-
6 Total charged to P&L Account	11.54	4.18	39.59	28.76	9.51	5.95	0.15	10.77	0.16	0.08	0.14	0.03

(iv) Effect of one percentage point change in the assumed inflation rate in case of valuation of benefits under Post Retirement Medical Benefit Scheme (PRMB):

	Increase in inflation rate		Decrease in inflation rate	
	12-13	11-12	12-13	11-12
1 Increase/(Decrease) on aggregate service and interest cost of post retirement medical benefits	1.19	0.99	(0.96)	(0.80)
2 Increase/(Decrease) in present value of closing defined benefit obligations	9.86	10.09	(8.07)	(8.21)

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

	As at 31 st March, 2013	As at 31 st March, 2012
(v) Actuarial assumptions:		
1 Method used	Projected Unit credit	Projected Unit credit
2 Discount Rate (per annum)	8.00%	8.60%
3 Estimated rate of return on plan assets (applicable only on Gratuity)	9.50%	9.50%
4 Mortality Rate	Indian assured lives mortality (1994-96) modified ultimate	Indian assured lives mortality (1994-96) modified ultimate
5 Withdrawal Rates (per annum) upto 30 / 44 and above 44 years	Executives and Non Executives 3%/2%/1%, depending upon age	Executives and Non Executives 3%/2%/1%, depending upon age
6 Medical Cost Trend Rates (per annum)	8.00%	8.00%
7 Salary escalation taking into account inflation rate, seniority, promotion and other relevant factors	5.50%	5.50%

Note:

- The company has funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is mainly based on the information given by the insurance companies through whom the investment have been made by the fund. Gratuity liability of ₹ 18.97 crore is unfunded as on 31st March, 2013.
- The defined benefit obligations, other than gratuity are unfunded.

5.2.3 Other Employee Benefit Schemes:

Provision of ₹2.15 crore (Previous year ₹1.44 crore) towards Employees' Family Economic Rehabilitation Scheme and Social Security Benefits scheme has been made on the basis of actuarial valuation and charged to the Profit & Loss account. A net liability of ₹14.03 crore has been recognized in the Balance Sheet as at 31st March 2013 on account of these schemes.

5.2.4 Provident Fund: 12% of Basic Pay plus Dearness allowance contributed to the Provident Trust of the Company. The Company does not anticipate any further obligation in the near foreseeable future having regard to the amount of the fund and return on investment as confirmed by the actuary.

5.2.5 During the year, Company has set up a separate Pension Trust for operation of Employees Defined Contribution Pension Scheme through Life Insurance Corporation of India and provided ₹8.09 crore towards Company's liability under the said policy under the heading contribution to provident and other funds in note 27.

5.3 AS-17: Segment Reporting

5.3.1 Business Segments:

Company's primary business segments are 'Urea' & 'Other Products' (which include Industrial Products and Bio Fertilizers, traded goods which have got similar risk and return profiles) and are reportable segments under Accounting Standard-17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

5.3.2 Geographical Segment:

The operations of the company are conducted within India and there is no separate reportable geographical segment

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

5.3.3 The disclosure of segment-wise information is as below:

₹ Crore

	Year ended	
	31 st March 2013	31 st March 2012
<u>Segment Revenue (Net Sales)</u>		
Urea	6594.52	7111.66
Other Products		
Others	131.62	226.52
Less : Inter Segment Revenue	5.91	32.89
Total Segment Revenue	6720.23	7305.29
<u>SEGMENT RESULTS</u>		
Urea	(98.68)	207.67
Other Products	26.00	73.11
Total Segment Results	(72.68)	280.78
Less: Unallocable Expenses (Net of Unallocable Income)	28.21	30.16
Less : Interest expenses	129.73	66.42
Profit Before Tax	(230.62)	184.20
Provision for Tax	(59.89)	57.47
Profit After Tax	(170.73)	126.73
<u>Segment Assets</u>		
Urea	9586.31	3548.45
Other Products	17.31	34.02
Unallocable	1481.78	2827.19
Segment Assets	11085.40	6409.66
<u>Segment Liabilities</u>		
Urea	3495.06	795.83
Other Products	18.82	13.89
Unallocable	5987.82	3845.51
Segment Liabilities	9501.70	4655.23
<u>Capital Expenditure</u>		
Urea	3088.14	41.94
Unallocable	0.24	0.55
Capital Expenditure	3088.38	42.49
<u>Depreciation and Amortisation expenses</u>		
Urea	115.56	89.15
Other Products	0.54	0.74
Unallocable	1.57	1.58
Depreciation and Amortisation expenses	117.67	91.47
<u>Non-cash expenses other than Depreciation and Amortisation</u>		
Urea	4.42	4.58
Unallocable	2.39	3.43
Non-cash expenses	6.81	8.01

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

5.4 AS-18: RELATED PARTY DISCLOSURES

A) Nature of Relationship
Joint Venture

Name of the Related Party

Urvarak Videsh Limited

B) Nature of Relationship
Key Management Personnel

Name of the Related Party

- (i) Shri R. G. Rajan
Chairman & Managing Director (C&MD), w.e.f. 06th January, 2013
- (ii) Shri Sham Lal Goyal
Chairman & Managing Director (C&MD), upto 06th January, 2013
- (iii) Ms. Neeru Abrol,
Director (Finance) upto 31st December, 2012
- (iv) Shri Rajesh Kumar Aggarwal,
Director (Technical) upto 3rd October, 2012
- (v) Capt. P.K. Kaul,
Director (Marketing)

C) Transactions with Related parties:

- (i) There is no transaction with related party at A) above during the year (previous year Nil). Against total investment of ₹0.18 crore as on 31st March, 2013, provision of ₹ 0.15 crore has been made in the Accounts on account of diminution in value of investments).
- (ii) Remuneration to Key Management Personnel at B) above is ₹0.70 crore (Previous year ₹0.86 crore) which does not include remuneration to Key Management Personnel at (i) & (ii) above who have been given additional charge of the Company by Government of India.

5.5 AS-19: LEASES

The Company's significant leasing arrangements are in respect of operating leases of premises for offices, godowns, residential use of employees and vehicles. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable. Note: 27 Employee benefit expense remuneration and benefits include ₹0.13 crore (Previous year ₹0.19 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices, godowns and vehicles, ₹3.08 crore (Previous year ₹3.32 crore) are shown in Note: 31-Other expenses.

5.6 AS-28: Impairment of assets

In accordance with Accounting Standard (AS)-28, the carrying amount of fixed assets have been reviewed at year-end for indication of impairment loss, if any, by considering assets of entire one plant as Cash Generating Unit. As there is no indication of impairment, no loss has been recognized during the year.

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

6 DETAILS OF MANUFACTURED AND TRADED GOODS (INCLUDING SUBSIDY)

	Year ended 31 st March 2013	As at 31 st March 2013	As at 31 st March 2012
	₹ Crore		
Manufactured goods	Sales Value	Closing Inventory	Closing Inventory
Urea	6594.52	214.92	121.80
Sulphur	10.73	-	1.75
Others	84.90	1.13	0.81
	<u>6690.15</u>	<u>216.05</u>	<u>124.36</u>
Traded Goods			
Seeds	25.97	-	-
Others	4.11	-	-
	<u>30.08</u>	<u>-</u>	<u>-</u>
	<u>6720.23</u>	<u>216.05</u>	<u>124.36</u>

7 DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

Based on the information received by the Company from the suppliers, regarding their coverage under the Micro, Small and Medium Enterprises Development Act, 2006, the disclosure as required under the said Act is as under:

	As at 31 st March 2013	As at 31 st March 2012
	₹Crore	
(i) The principal amount remaining unpaid to suppliers	0.96	0.39
(ii) The interest due thereon remaining unpaid	-	-
(iii) The amount of interest paid in terms of Section 16 of the Act, along with the amount of the payment made to the supplier beyond the appointed day.	-	-
(iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
(v) The amount of interest accrued during the year and remaining unpaid at the end of the year	-	-
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

₹Crore

	Current year	Previous year
8 EXPENDITURE INCURRED IN FOREIGN CURRENCY (on accrual basis)		
Consultancy & professional charges	5.98	103.18
Interest	10.92	1.60
Others	0.10	0.41
	<u>17.00</u>	<u>105.19</u>
9 VALUE OF IMPORT (calculated on CIF basis)		
Capital goods	186.31	209.18
Components and spare parts	23.88	5.34
	<u>210.19</u>	<u>214.52</u>

	Current Year		Previous year	
	₹Crore	%	₹Crore	%
10 VALUE OF RAW MATERIAL CONSUMED				
Indigenous	4169.25	100	4399.91	100
11 VALUE OF STORES AND SPARES CONSUMED				
Imported	4.91	8.27	8.72	15.51
Indigenous	54.45	91.73	47.49	84.49
	<u>59.36</u>	<u>100.00</u>	<u>56.21</u>	<u>100.00</u>

12 "For FY 2012-13, Company has approved budget amount of ₹3.15 crore towards Corporate Social Responsibility (CSR) activities, During FY 2010-11 and 2011-12, Company earmarked ₹3.00 crore and ₹3.25 respectively crore for CSR activities against which an expenditure of ₹1.60 crore have been incurred till 31.03.2012. Company has incurred total CSR expenditure of ₹1.47 crore during the FY 2012-2013. The budget for unspent amount of ₹6.33 crore does not lapse and the same has been carried forward to FY 2013-14 on account of CSR activities."

13 As per requirements of the listing agreements with the stock exchanges, the requisite details of loans and advances in the nature of loans given by the Company are as under:

- (i) There are no loans and advances in the nature of loans to any subsidiary.
- (ii) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and
- (iii) There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

14 REMITTANCE IN FOREIGN CURRENCIES FOR DIVIDENDS

The Company has not remitted any amount in foreign currencies on account of dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividend for the year 2011-12 paid in current year on account of non-resident shareholders in Indian rupees are as under:

Dividend (2011-12)	Current year	Previous year
a) Number of non resident shareholders	97	94
b) Number of ordinary shares held by them	90004	62898
c) Amount of Dividend (₹ in Crore)	0.01	0.01

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

₹Crore

15 REMUNERATION TO DIRECTORS	Current year	Previous year
	₹ Crore	₹ Crore
Salaries	0.42	0.51
Company's contribution to PF and other funds	0.04	0.05
Leave	0.09	0.07
Estimated value of perquisites	0.15	0.23
	<u>0.70</u>	<u>0.86</u>

Note:

The Chairman & Managing Director and Functional Directors are allowed the use of company's car for private purposes upto 1000 km per month and recoveries wherever required are made as per Government guidelines.

16 Debit/Credit balances of some of the parties are in the process of confirmation/ reconciliation.

17 Figures of previous year/period have been re-arranged / regrouped / re-cast, wherever necessary.

For and on behalf of the Board of Directors

TEK CHAND GM (F&A) I/c & Company Secretary	NEERU ABROL DIRECTOR (FINANCE)	R. G. RAJAN CHAIRMAN & MANAGING DIRECTOR
--	--	--

As per our report of even date attached

For THAKUR, VAIDYANATH AIYAR & CO.
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 000038N

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 006791N

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 29th May, 2013

Auditors' Report

THAKUR, VAIDYANATH AIYAR & CO
CHARTERED ACCOUNTANTS
221-223, DEEN DAYAL MARG,
NEW DELHI-110 002

DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
783, DESH BANDHU GUPTA ROAD
NEAR FAIZ ROAD CROSSING
KAROL BAGH,
NEW DELHI - 110005

INDEPENDENT AUDITORS REPORT

To the Members of

National Fertilizers Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Fertilizers Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. Central Government has directed vide notification number G.S.R. 829 (E) dated 21st October 2003 that clause (g) of sub section (1) of section 274 of the Act is not applicable to Government Company.

Forming an Opinion and Reporting on Financial Statements

For THAKUR, VAIDYANATH AIYAR & CO
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 000038N

(ANIL K. THAKUR)
PARTNER
(MEMBERSHIP NO. 88722)

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO.006791N

(SANJAY JAIN)
PARTNER
(Membership no. 84906)

Place: New Delhi
Date: 29th May, 2013

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of the available information.
- b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of fixed assets has been carried out by the management during the year. We are informed that discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) In our opinion, the company has not disposed off substantial part of its fixed assets during the year.
- (ii) a) The physical verification of the inventory has been carried out by the management in accordance with the perpetual inventory programme, at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- (iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, Clauses 4(iii)(b), (c) and (d) of the Order are not applicable to the Company.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, Clauses 4(iii)(f) and (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods & services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) According to the information and explanations given to us, the Company has no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956. Therefore, Clause 4 (v) (b) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (vi) The Company has not accepted any deposit from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- (vii) In our opinion, internal audit system of the Company is generally commensurate with the size and nature of its business, which however further requires more indepth coverage.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records in respect of certain products under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of such records.
- (ix) (a) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing, with the appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State

Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other statutory dues. According to the information and explanations given to us, no undisputed amounts remain payable in respect of such statutory liabilities as at 31st March, 2013 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the particulars of the disputed dues as at 31.03.2013 which have not been deposited on account of matters pending in appeal before appropriate authorities are as under:

Name of the Statute	Nature of the Dues	Amount Involved (₹ Crore)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act'1961	Income Tax	63.17	AY 1998-99 to AY 2004-05	High Court
		12.85	AY 2003-04	Income Tax Appellate Tribunal
		132.06	AY 2006-07 to AY 2010-11	Commissioner of Income Tax (Appeals)
Central Excise Act'1944	Excise Act	1.04	1997-98 to 1999-00	Central Excise Service Tax Appellate Tribunal
		2.94	2005-06 to 2011-12	Additional Commissioner Central Excise, Chandigarh
		2.90	2010-11 to 2012-13	Commissioner Central Excise, Chandigarh
Finance Act 1994 Service Tax	Service Tax	0.31	2003-04 to 2006-07	Additional Commissioner Central Excise, Indore
Punjab VAT Act'2005	VAT	0.30	2006-07 to 2008-09	Dy. Excise and Taxation Commissioner (Appeal), Patiala
MP Commercial Tax Act'1994	Purchase Tax	1.30	2001-02	Commercial Tax Appellate Board, Bhopal
Haryana Local Area Development Tax Act'2000	Entry Tax	6.72	2000-01 to 2002-03	Joint Excise Taxation Commissioner Rohtak
Total		223.59		

- (x) The company has incurred cash losses during the year, however, no cash loss was incurred by the company in the immediately preceding financial year. The Company has no accumulated losses as at the end of the current financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or bonds/debenture holders as at the Balance Sheet date. There were no dues to financial institutions.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statutes applicable to a chit fund/nidhi/mutual benefit fund/society are not applicable to the company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As per the information and explanations given to us on an overall basis the term loans taken by the company have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, in our opinion, no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to any parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
- (xix) Company has not issued any debenture during the year.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the year.

Forming an Opinion and Reporting on Financial Statements

For THAKUR, VAIDYANATH AIYAR & CO
CHARTERED ACCOUNTANTS
FIRM REGD. NO. 000038N

(ANIL K. THAKUR)
PARTNER
(MEMBERSHIP NO. 88722)

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGD. NO.006791N

(SANJAY JAIN)
PARTNER
(Membership no. 84906)

Place: New Delhi
Date: 29th May, 2013

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL FERTILIZERS LIMITED FOR THE YEAR ENDED 31 MARCH 2013.

The preparation of financial statements of National Fertilizers Limited for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 May 2013.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619 (3) (b) of the Companies Act, 1956 of the financial statements of National Fertilizers Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**



**(Naina A. Kumar)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II,
New Delhi**

**Place: New Delhi
Dated: 09.07.2013**

Corporate Governance Report

1. Company's Philosophy on code of Governance:

Corporate governance is the set of principles, processes and systems to be followed by the Company for enhancement of shareholders value, keeping in view the interests of other stake-holders. The integrity, transparency and compliance with laws in all dealings with government, customers, suppliers, employees and other stake-holders are the objectives of good Corporate Governance.

Over the years, governance processes and systems have been strengthened at NFL. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and promotion of ethics have been emphasized.

Company believes that good governance is a continuing exercise and reiterates its commitment to pursue highest standards in that regard. Company continuously reviews its policies and practices of Corporate Governance with a clear goal not merely to comply with the statutory requirements in letter and spirit but also constantly endeavours to implement the best practices of Corporate Governance.

Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders. Company is committed to achieve and maintain the highest standards in this regard.

Company is committed to the best governance practices that create long term sustainable shareholder value. Governance framework is based on the following principles:-

- Constitution of a Board of Directors having expertise in different fields.
- Timely flow of information to the Board and its Committees.
- A sound system of risk management and internal controls.
- Timely disclosure of material information to all stakeholders.
- Transparency and accountability.
- Compliance with all the applicable rules and regulations.

2. BOARD OF DIRECTORS

2.1 Size of the Board

The Company is a Government Company within the meaning of Section 617 of the Companies Act, 1956 as the President of India holds majority of the Paid-up Share Capital. The strength of the Board Members shall not be less than 3 Directors or more than 12 Directors. These Directors may be either Whole-time Functional Directors or Part-time Directors.

2.2 Composition of the Board

The Board of Directors as on 31st March 2013 comprised of Five Directors out of which two were Whole Time Functional Directors, including Chairman & Managing Director and Director (Marketing) and two Government of India nominees and one Independent Director. Brief profile of the Directors is set-out elsewhere in the Annual Report.

The Listing Agreement with the stock exchanges stipulates that where the Chairman of the Board is a non Executive Director, at least one third of the Board should comprise of Independent Directors and in case he is an Executive Director, at least half of the Board should comprise of Independent Directors. In the absence of adequate number of Independent Directors, during the year, Board's composition was not in accordance with the Listing Agreement, as may be observed from the details given below:-

Period		Composition of the Board		
From	to	Total	Independent	Others
01.04.2012	3.10.2012	7	1	6
4.10.2012	31.12.2012	6	1	5
01.01.2013	31.03.2013	5	1	4

Company has been regularly taking up the matter with the Government of India to initiate necessary steps for appointment of adequate number of Independent Directors to ensure compliance with the Listing Agreement.

As required under Clause 49 of the Listing Agreement, none of the Directors is a member of more than ten committees of the Board or Chairman of more than five committees in which he/she is a member.

During the year under review, Independent Directors did not have any other material or pecuniary relationship or transactions with the Company, its promoters or management apart from receiving sitting fees, which may affect independence of judgement of the Directors.

2.3 Tenure of Directors

The age limit of Chairman & Managing Director and other whole-time functional Directors is sixty years.

The Chairman & Managing Director and other whole-time Functional Directors are appointed for a period of five years from the date of taking charge or till the date of superannuation or till further instructions from the Government of India, whichever event occurs earlier. Government nominee Directors representing the Department of Fertilizers, Government of India, retire from the Board on ceasing to be officials of the Department of Fertilizers, Government of India.

Independent Directors are appointed on the recommendations of the Government of India usually for a tenure of three years.

2.4 Other details relating to the Board

Details regarding tenure, number of other Directorships/Committee Memberships (viz. Audit Committee and Shareholders Grievance Committee as per SEBI's Corporate Governance Code) held by Directors during the year are tabulated below:-

S. No.	Director (S/Shri)	Category	Tenure		In other Boards/Committees		
			From	To	Directorship	Membership	Chairmanship
1.	Shri R.G.Rajan	CMD	6.1.2013	Continuing	5	-	-
2.	Sham Lal Goyal	NED-Govt. Nominee	23.12.2011	5.1.2013	4		
3.	Ms. Neeru Abrol, Director (Finance)	ED	01.10.2007 02.05.2013	31.12.12 Continuing	-	-	-
4.	Rajesh Kumar Aggarwal, Director (Technical)	ED	02.06.2010 -	3.10.2012 -	-		
5.	Capt. Pavan Kumar Kaul, Director (Marketing)	ED	07.02.2011	Continuing	1	-	-
6.	Satish Chandra	NED-Govt. Nominee	27.10.2008	Continuing	4	-	-
7.	Suresh Chandra Gupta	NED-Govt. Nominee	12.09.2011	Continuing	2	1	-
8.	Munikoti Niranjana Rao	NEID	06.05.2011	Continuing	-	-	-
09.	M. Raman	NEID	06.05.2013	Continuing	3	-	-
10.	Vikram Srivastava	NEID	06.05.2013	Continuing	1	-	-
11.	C.M.T. Britto Director (Technical)	ED	07.05.2013	Continuing	1	-	-

ED – Executive Director, NED – Non-Executive Director, NEID – Non-Executive Independent Director

Notes:

1. Shri Sham Lal Goyal ceased to be Chairman & Managing Director w.e.f. 5th January, 2013
2. Shri R.G. Rajan, has taken as Chairman & Managing Director w.e.f. 6.1.2013.
3. Ms Neeru Abrol, Director (Finance) completed her tenure on 31st December, 2012 and was relieved. She has been reinstated by Department of Fertilizers on 2nd May, 2013..
4. Shri Vikram Srivastava and Shri M. Raman have been appointed as Independent Directors on 6th May, 2013.
5. Shri C.M.T. Britto, has been appointed Director (Technical) on 7th May, 2013.
6. Directors' Profile is given separately.

2.5 Responsibilities

Board provides and evaluates the strategic direction of the Company. It has a formal schedule of subjects reserved for its consideration and decision, including review of corporate performance, financial resources, strategy formulation, policy and control, corporate planning, organizational structure and reporting to the shareholders.

2.6 Independent Directors

The independent directors play a vital role in the deliberations at the Board meetings and help with their wide-ranging experience in the field of Management, Governance, Finance, Audit, etc.

2.7 Board Meetings, Agenda & Minutes

The Company holds at least four Board meetings in a year, one in each quarter to review the financial results and other items of importance and the gap between the two meetings does not exceed three calendar months. Apart from the four scheduled Board meetings, additional Board meetings are also convened to address the specific requirements.

All the departments in the Company generally communicate to the Company Secretary well in advance with regard to matters requiring approval of the Board. Agenda are generally circulated to the Board well in advance before the meeting. All material information is incorporated in the Agenda to facilitate meaningful and focused discussions at the meeting.

The Company Secretary while preparing the Agenda and Minutes of the Board meeting ensures adherence to the provisions of the Companies Act, 1956 and other applicable laws. The Board also takes note of the minutes of the meetings of the various committees of the Board duly approved by their respective Chairman.

2.8 Meetings held

During the year, 10 meetings of the Board were held on: 7th May, 2012, 28th May, 2012, 5th July, 2012, 30th July, 2012, 15th October, 2012, 29th October, 2012, 4th December, 2012, 3rd January, 2013, 31st January, 2013 and 6th March, 2013. The Annual General Meeting was held on 11th September 2012. Details of attendance at the Board Meetings and Annual General Meeting are as follows:-

DIRECTORS (S/Shri)	Category	Board Meetings during respective tenure of Directors		Attendance at last Annual General Meeting
		Held	Attend	
R.G.Rajan	Chairman & Managing Director	02	02	-
Sham Lal Goyal	NED – Govt. Nominee	08	08	Present
Ms. Neeru Abrol	ED	07	05	Present
Rajesh Kumar Aggarwal	ED	04	03	Present
Capt. Pavan Kumar Kaul	ED	10	09	Present
Satish Chandra	NED-Govt. Nominee	10	07	No
Suresh Chandra Gupta	NED-Govt. Nominee	10	07	No
Munikoti Niranjana Rao	NEID	10	10	Present

ED – Executive Director, NED – Non-Executive Director, NEID – Non-Executive Independent Director

Notes: .

1. Shri Sham Lal Goyal ceased to be Chairman & Managing Director w.e.f. 5th January, 2013
2. Shri R.G.Rajan has taken the charge as Chairman & Managing Director w.e.f. 6th January, 2013
3. On completion of her tenure, Ms Neeru Abrol, Director (Finance), was relieved on 31st December, 2012 and was relieved. On her reinstatement by the Department of Fertilizers (DoF), she has rejoined as Director (Finance) on 10th May, 2013.

2.9 Information placed before the Board of Directors, inter-alia includes

The Board has complete access to any information within the Company. The information regularly provided to the Board includes:

- Annual operating plans and budgets and any updates
- Capital budgets and any updates
- Quarterly Results of the Company
- Annual Accounts, Management Discussion Analysis, Directors' Report etc.
- Minutes of the Meetings of the Audit Committee and other Committees of the Board
- The information on recruitment and remuneration of senior executives just below the Board level, including appointment or removal of Company Secretary
- Major capital investments, formation of Joint Ventures, R&D project or technical collaboration agreement
- Significant labour problems and their proposed solutions. Any significant development in the areas of Human Resource/Industrial Relations like signing of wage agreement, Incentive Schemes, Medical facilities, implementation of Voluntary Retirement Scheme etc.
- Disclosure of Interest by Directors about Directorships and Committee positions occupied by them in other companies
- Report on compliance of various laws and information relating to major legal disputes
- Short term Investment of surplus funds
- Status of Borrowings
- Any contract(s) in which Director(s) is/are deemed to be interested
- Award of large contracts
- Report on performance of various units/functions
- Review of risk factors including Foreign Exchange transactions
- Report on vigilance activities
- Other materially important information
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Sale of material nature, of investments, satisfactory assets, which is not in normal course of business.

- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non payment of dividend, delay in share transfer, etc.
- Review of Whistleblower Policy of the Company

3. Committees of the Board of Directors

To ensure compliance of listing agreement, DPE Guidelines and others, the Board has constituted the Committees of Directors including the following:

- Audit Committee
- Shareholders'/Investors' Grievance Committee
- Remuneration Committee
- Share Transfer Committee
- Investment Committee
- Disciplinary Committee
- Corporate Social Responsibility and Sustainable Development.

3.1 Audit Committee

The Company endeavours that the constitution, quorum, scope etc. of the Audit Committee is in line with Companies Act, 1956, provisions of Listing Agreement and guidelines on Corporate Governance as issued by Department of Public Enterprises. The scope of Audit Committee inter-alia includes the following:-

- Periodical review of the accounting policies and practices, financial statements of the Company and reports of the Auditors.
- Periodical discussions with the Auditors and to deliberate upon their findings, suggestions and review of adequacy of Internal Control System, Scope of Audit, Auditors' observations and other related matters besides compliance with Accounting Standards.
- Approval of Internal Audit Programmes and monitoring of their execution.
- Review of annual financial statements before submission to the Board for approval including matters required to be included in the Directors Responsibility Statement in terms of Clause 2AA of Section 217 of Companies Act, 1956, Accounting Policies and changes therein, audit reports & related party transactions disclosures, compliance with listing and other legal requirements relating to financial statements.
- Reviewing with the Management performance of statutory and internal auditors, the adequacy of internal control systems and suggestions for improvement including the structure of the Internal Audit Department, coverage, frequency of internal audit, significant observations, etc.
- Provide an avenue of communication between Internal Auditor, Statutory Auditor and Board of Directors.
- Review of outstandings and risks faced by the Company.
- Review of fee payable to Statutory Auditors.
- Review of Foreign Exchange Risk.
- Review of appointment/reappointment of Cost Auditors, Internal Auditors, Tax Auditors and their remuneration.

COMPOSITION & ATTENDANCE AT THE MEETINGS

During the year 2012-13, the Audit Committee met on 5 times i.e. 28th May, 2012, 30th July 2012, 15th October, 2012, 29th October, 2012 and 31st January, 2013. In terms of requirement of the listing agreement, two third members of the Audit Committee are to be independent. As per Section 292A of the Companies Act, 1956, the Audit Committee shall have minimum three members and 2/3rd of those shall be other than Managing Director or Whole Time Directors.

In the absence of appointment of adequate number of Independent Directors during the whole year, the constitution of

the Committee was not as per the requirements of Listing Agreement and Companies Act, 1956. The composition of the Audit Committee during 2012-13 & afterwards and attendance at the meetings during the year 2012-13 was as follows:-

S. No.	Name of Director (S/Shri)	Status	Tenure		Meetings during respective tenure	
			From	To	Held	Attended
1	Munikoti Niranjan Rao	Chairman	11.05.2011	Continuing	5	4
2	Ms. Neeru Abrol	Member	30.01.2008	31.12.2012*	4	3
3	Rajesh Kumar Aggarwal	Member	25.03.2011	03.10.2012	2	2
4	Capt. Pavan Kumar Kaul	Member	04.12.2013	29.05.2013	1	1
5	Suresh Chandra Gupta	Member	24.10.2011	29.05.2013	5	3
6	M. Raman	Member	29.05.2013	Continuing	-	-
7	C.M.T. Britto	Member	29.05.2013	Continuing	-	-

Note :

The Committee was :-

1. Reconstituted on 4th December, 2012 when Capt. Pavan Kumar Kaul was inducted as Member.
2. Reconstituted on 3rd January, 2013 consequent upon relieving of Ms. Neeru Abrol on 31st December, 2012.
3. Mr. M. Raman, and Shri C.M.T. Britto inducted as Members on 29th May, 2013 and Shri Suresh Chandra Gupta ceased to be on the Audit Committee on 29th May, 2013.

Statutory Auditors, Corporate Finance Head, Head of Internal Audit and other Functional Heads are invited as Special Invitees. The Company Secretary acts as Secretary of the Committee.

3.2 Shareholders/Investors Grievance Committee

Scope:

The scope of the Shareholders'/Investors' Grievance Committee inter-alia includes redressal of investors grievances especially transfer/transmission of shares, dividends, dematerialization, replacement of lost/stolen/mutilated share certificates, splitting, conversion and other related issues and strengthening of investor relations. The Company Secretary being the Compliance Officer is specifically entrusted with responsibility for redressal of shareholders and investors complaints and report the same to the Committee.

Composition

The composition of the Committee during the year 2012-13 and thereafter is as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure	
			From	To
1	Ms. Neeru Abrol	Chairperson Member	29.07.2010 29.05.2013	31.12.2012 Continuing
2	Munikoti Niranjan Rao	Member Chairman	11.05.2011 31.01.2013	03.12.2012 29.05.2013
3	Rajesh Kumar Aggarwal	Member	25.03.2011	03.10.2012
4	Satish Chandra	Member	04.12.2012	Continuing
5	Capt. Pavan Kumar Kaul	Member	04.12.2012	29.05.2013
6	Suresh Chandra Gupta	Chairman	29.05.2013	Continuing

Notes :

1. Ms. Neeru Abrol ceased to be on the Committee on 1st January, 2013 and was again inducted as Member on 29th May, 2013.
2. Shri Munikoti Niranjan Rao ceased to be a Member on 4th December, 2012 and was subsequently held the position of Chairman of the Committee from 31st January, 2013 to 29th May, 2013.
3. Shri Rajesh Kumar Aggarwal ceased to be a Member w.e.f. 3rd October, 2012.
4. Shri Satish Chandra and Capt. Kaul were appointed as Members on the Committee on 4th December, 2012. Capt. Kaul ceased to be Member on 29th May, 2013.
5. Shri Suresh Chandra Gupta appointed as Chairman of the Committee on 29th May, 2013.

Summarized information on complaints

There were no complaints pending for redressal as on 31st March, 2013. Number of shareholders complaints received and resolved during the period 1st April, 2012 to 31st March, 2013 were 1275 as detailed below:-

Quarter ended	Complaints Received	Complaints Resolved	Complaints Pending
30.06.2012	626	626	NIL]
30.09.2012	15	15	NIL
31.12.2012	553	553	NIL
31.03.2013	81	81	NIL
Total	1275	1275	NIL

3.3 Remuneration Committee

Composition & Scope

The Company, being a Central Public Sector Undertaking, the appointment, tenure and remuneration of Directors are decided by the Department of Fertilizers on behalf of the Hon'ble President of India. Independent Directors are paid sitting fees for attending the Board/Committee Meetings within the ceiling fixed under Companies Act, 1956.

Remuneration of employees consisting of basic pay, perquisites, performance Incentives, retirement benefits is regulated by Department of Public Enterprise, Government of India guidelines issued from time to time. Within the frame work of guidelines, Remuneration Policy of the Company aims to motivate employees to excel in performance, recognize their contribution, retain talent in the Organization and reward merit.

In terms of the guidelines of the Department of Public Enterprises, Government of India, every Central Public Sector Undertaking is required to constitute a Remuneration Committee headed by an Independent Director to decide the Annual Bonus/Variable Pay Pool and policy for its distribution across the executives and non-unionized supervisors. The Board has constituted a Remuneration Committee and the constitution of the Committee for the year 2012-13 and thereafter is as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure	
			From	To
1	Munikoti Niranjana Rao	Chairman	11.05.2011	Continuing
2	Satish Chandra	Member	25.03.2011	29.05.2013
3	Capt. Pavan Kumar Kaul	Member	31.01.2013	29.05.2013
4	Ms. Neeru Abrol	Member	25.03.2011	31.12.2012
5	M. Raman	Member	29.05.2013	Continuing
6	Vikram Srivastava	Member	29.05.2013	Continuing

Notes :

1. Ms. Neeru Abrol ceased to be a Member on 1st January, 2013.
2. Committee was reconstituted on 31st January, 2013 when Capt. Kaul was inducted as Member.
3. Committee was reconstituted on 29th May, 2013, when Shri M. Raman and Shri Vikram Srivastava were inducted as Members in place of Shri Satish Chandra and Capt. Pavan Kumar Kaul.

4. Remuneration and Sitting Fee paid to Directors during 2012-13

4.1 Remuneration to Executive Directors

(Amount in ₹)

Name of the Director (S/Shri)	Salary including perks	Retirement Benefits	Total
Ms. Neeru Abrol	2016554	796278	2812832
Rajesh Kumar Aggarwal	1232084	92833	1324917
Capt. Pavan Kumar Kaul	2449162	449373	2898535
Total	5697800	1338484	7036284

4.2. Sitting Fee to Independent Directors

The Non-executive Independent Directors are paid sitting fee of ₹10,000 for attending each meeting of the Board and/or Committee thereof. Sitting fee paid to Independent Directors during 2012-2013 is as follows:-

(Amount in ₹)

Name of the Independent Director	Board Meetings	Audit Committee & other Meetings	Total
Shri Munikoti Niranjana Rao	100000	70000	170000*

* ₹12,360 was deposited towards service tax on sitting fee.

4.3 Stock Options

The Company has not issued any stock options.

5. General Body Meetings:

5.1 Details of last three Annual General Meetings held are as follows:-

Type of Meeting	Date of Meeting	Time	Place	Details of Special Resolution(s) passed, if any
YEAR 2009-10				
Annual General Meeting	09.09.2010	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi - 110010	Nil
YEAR 2010-11				
Annual General Meeting	12.09.2011	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi – 110010	NIL
YEAR 2011-12				
Annual General Meeting	11.9.2012	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi – 110010	A special resolution as item no. 7 was passed to alter the Articles of Association by insertion of Article 37AA providing for buyback of shares. The modification was subject to approval of President of India. As the approval could not be received within 30 days of passing of Special Resolution, same got elapsed.

5.2 None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special Resolution through Postal Ballot.

5.3 Extraordinary General Meeting

No Extraordinary General Meeting was held during the year.

6. Disclosures:

- No transaction of a material nature has been entered into by the Company with the Directors, senior management personnel and their relatives that may have potential conflict with the interest of the Company except as disclosed under the related party transactions as per AS-18 "Related Party Disclosures", which are set out in the Annual Report.
- The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties / strictures have been imposed against the Company during the last three years.
- The Company has complied with all the mandatory requirements except for appointment of requisite number of Independent Directors on the Board and adopted part of the non-mandatory requirements.

7. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other statutory authority or any matter related to capital markets during the last three years

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures were imposed by the Stock Exchanges or SEBI or any other statutory authority.

8. Compliance Officer

Shri Tek Chand, G.M.(F&A)/c & Company Secretary is the Compliance Officer.

9. Whistle Blower Policy

Company believes in transparency and propriety in its business dealings. To take this object further, Company has put in place a Whistle Blower Policy providing for a mechanism to the employees and other stakeholders to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct or Ethics Policy. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism. During the year, no disclosures have been received under the whistleblower mechanism, hence no meeting of the Committee was held. No employee has been denied access to the Audit Committee.

10. Means of Communication

- Quarterly (unaudited but reviewed) and annual audited financial results of the Company as recommended by the Audit Committee and approved by the Board are submitted to the Stock Exchanges.
- Quarterly/Annual Financial Results for 2012-2013 have been published in prominent newspapers as below: -

Quarter ended	Date of publication	News Paper
30th June, 2012	31st July, 2012	Indian Express, Jansatta (Hindi), The Financial Express
30th September, 2012	30th & 31st October 2012	Indian Express, Jansatta (Hindi), The Financial Express Business Standard (Hindi)
31st December, 2012	1st February & 2nd February, 2013	Indian Express, Jansatta (Hindi) Financial Express
31st March, 2013	30th May, 2013	Indian Express, Jansatta (Hindi) and The Financial Express

- Shareholding pattern at the end of each quarter is also conveyed to the Stock Exchanges.
- The quarterly/annual financial results and Shareholding Pattern are also made available at the website of the Company.
- Stock Exchanges are kept posted with the changes in composition of Board of Directors.
- All official Press Releases are posted on the Company website.
- Company has designated exclusive email Id- investor@nfl.co.in for the investors.
- Corporate Filing and Dissemination System (CFDS) portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by the listed companies. All disclosures and communications to BSE and NSE are filed electronically through the CFDS portal and hard copies of the said disclosures and correspondence are also filed with the stock exchanges.

11. General Shareholder Information

(i) General Body Meeting

Date : **17th September, 2013 at 10.30 AM**

Venue : **Air Force Auditorium, Subroto Park, New Delhi – 110 010.**

(ii) Address for Communication:-

- Scope Complex, Core III, 7, Institutional Area, Lodhi Road, New Delhi – 110 003.
- A-11, Sector-24, Noida – 201 301.

(iii) Website

Shareholders related information like Annual Report, Quarterly Financial Results, shareholding pattern etc. is available at Company's website www.nationalfertilizers.com,

Telephone numbers and E-Mail Reference for communication are given below:-

	Telephone No.	FAX No.
Registered Office	011-24360066	011-24361553
Investor Services Cell	0120-2412322 PBX: 0120- 3292201-08	0120-2411132 & 0120-2412397
E-Mail ID	investor@nfl.co.in	
General Manager I/c Company Secretary - Mr. Tek Chand	0120-2412322	0120-2411132

iv) Financial Calendar for FY 2013-14

Particulars	Date
Accounting Period	1st April, 2013 to 31st March, 2014
Un-audited Financial Results for the first three quarters	Within a period of 45 days from the end of each quarter
Fourth Quarter Results	Audited Results on or before 31st May 2014
AGM (Next Year)	September, 2014 (Tentative)

v) Book Closure

The Register of Members and Share Transfer Books will remain closed from 6th to 17th September, 2013 (both days inclusive).

vi) Payment of Dividend

Board of Directors have not recommended any Dividend.

vii) Listing at Stock Exchanges

Company's equity shares are listed on the following Stock Exchanges:

National Stock Exchange of India Ltd.

Bombay Stock Exchange Limited

Scrip Code:	NSE : NFL	BSE : 523630
Demat ISIN No. in NSDL and CDSL	INE870D01012	

Viii Market Price Data

Monthly high and low price of shares of the Company during the financial year on the Bombay Stock Exchange (BSE) were as follows:-

Month	Stock Prices of the Company		Corresponding BSE SENSEX share price index	
	High (₹)	Low (₹)	High	Low
AApril, 2012	80.80	69.70	17664.10	17010.16
May, 2012	81.15	71.30	17432.33	15809.71
June, 2012	83.25	76.20	17448.48	15748.98
July, 2012	87.05	74.00	17631.19	16598.48
August, 2012	81.55	68.10	17972.54	17026.97
September, 2012	84.65	71.85	18869.94	17250.80
October, 2012	82.65	75.95	19137.29	18393.42
November, 2012	80.90	73.65	19372.70	18255.69
December, 2012	79.30	75.60	19612.18	19149.03
January, 2013	78.05	70.65	20203.66	19508.93
February, 2013	73.85	62.75	19966.69	18793.97
March, 2013	62.05	44.55	19754.66	18568.43

Face Value per Share is ₹10

ix) Registrar and Share Transfer Agent

M/s. Mas Services Limited,
T-34, 2nd Floor, Okhla Industrial Area,
Phase-II, New Delhi – 110 020.
PH: 011-26387281-83 FAX: 011-26387384
Email: mas_serv@yahoo.com

x) Distribution of Shareholding

Shares held by different type of shareholders as on 31st March, 2013 are given below:-

(a) According to size:

No. of Equity Shareholders	Number of Shareholders	%age of Total	No. of shares held	%age of Total
(1)	(2)	(3)	(4)	(5)
Upto 500	20816	95.89	1261160	0.26
501 to 1000	502	2.31	407827	0.08
1001 to 2000	202	0.93	312039	0.06
2001 to 3000	71	0.33	180096	0.04
3001 to 4000	34	0.16	123529	0.03
4001 to 5000	20	0.09	92613	0.02
5001 to 10000	34	0.16	253685	0.05
10001 & above	28	0.13	487947451	99.46
Total	21707	100.00	490578400	100.00

(b) Shareholding Pattern

	Category	Number of Shares held	%age of shareholding
(A)	Shareholding of Promoter and Promoter Group (Government of India)		
I	Indian	479000500	97.64
II	Foreign	-	-
	Sub Total	479000500	97.64
(B)	Public shareholding Institutions		
I	Institutions	5966343	1.22
II	Non-institutions	5611557	1.14
	Sub Total	11577900	2.36
	GRAND TOTAL	490578400	100.00

(xi) Outstanding GDRs, ADRs, Warrants or any convertible instruments, etc. :

Company has not issued any such securities.

(xii) Status of dematerialization of shares as on 31st March, 2013

The shares of the Company are compulsorily traded in dematerialised mode. Company has signed agreements with both the depositories i.e. National Securities Depository Services (India) Limited (NSDL) and Central Depositories Services (India) Ltd. (CDSL). Company offers simultaneous transfer-cum-demat facility to the investors. As on 31st March, 2013, all the shares of the Company were held in dematerialized form except for 55612 shares as per shareholders' request, which form negligible percentage (0.01) of total shares subscribed.

(xiii) Share Transfer System

Trading in equity shares of the Company through recognized Stock Exchanges can be done only in dematerialized form.

In case of shares held in physical form, the transferred share certificates duly endorsed are dispatched within 15 days from the date of receipt of documents, provided documents are valid and complete in all respects.

In case of request for dematerialization of shares, confirmation of dematerialization is sent to the respective depository i.e. NSDL or CDSL, expeditiously.

Name and addresses of the Depositories are as under:-

1. National Securities Depository Services (India) Limited,

National Securities Depository Services (India) Limited, Trade World, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

2. Central Depository Services (India) Limited,

Central Depository Services (India) Limited, Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai – 400 023.

(xiv) Location of Production Units

Company's production facilities for manufacture of Urea fertilizer being the main product, are located at the following locations

S.No.	Location
1.	Nangal, Naya Nangal, District Ropar, Punjab-140126. Tel.No.01887-220570 FAX No.01887-220541
2.	Bathinda : Sibian Road, Bhatinda, Punjab-151003 Tel. No.0164-2270261 FAX No.0164-2270463/2760270
3.	Panipat : Gohana Road, Panipat, Haryana-132106, Tel. No.0180-2252481-83, 85, 2681304 FAX No.0180-2652515
4.	Vijaipur I & II : Vijaipur, District Guna, Madhya Pradesh-473111, Tel.No.07544-273101 FAX No.07544-273089/273109

12. Code of Conduct and Ethics

The Company has adopted "Code of Conduct and Ethics" for the Directors and Senior Executives of the Company. The object is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code is available on the Company's website www.nationalfertilizers.com. All directors and senior management personnel have complied compliance with the Code of Conduct and Ethics as on 31st March, 2013.

Declaration as required under Clause 49 of the Listing Agreement

This is to certify that in line with the requirements of Clause 49 of the Listing Agreement, all the Members of the Board and Senior Management Personnel have affirmed compliance of the Code of Conduct for the financial year ended on 31st March, 2013.

(R.G. RAJAN)
Chairman & Managing Director

New Delhi
3rd August, 2013

Code of Insider Trading

In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the company by an insider on the basis of unpublished price sensitive information. Under this Code, insiders (Offices and Designated Employees) are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities, beyond limits specified permission of the Compliance officer is required. All Directors/Officers/Designated Employees are also required to disclose related information periodically as defined in the Code. Company Secretary has been designated as Compliance Officer for this Code.

Certification by Chief Executive Officer and Chief Financial Officer of the Company

We, R.G. Rajan, Chairman & Managing Director and Neeru Abrol, Director (Finance) of National Fertilizers Limited, to the best of our knowledge and belief certify that:-

1. We have reviewed the Balance Sheet and Statement of Profit and Loss and all its schedules and notes on accounts, as well as the Cash Flow Statement of the Company for the year ended 31st March, 2013. To the best of our knowledge and information:-
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violate the Company's code of conduct.
3. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls for financial reporting and procedures for the Company and we have evaluated the effectiveness of the Company's internal controls and procedures pertaining to financial reporting.
4. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and through them to the Audit Committee of the Company's Board of Directors.
 - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control over financial reporting during the year;
 - c. Any fraud, which we have become aware of and that involves management or other employees who have a significant role in the Company's internal control system over financial reporting.
 - d. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the accounts.

(NEERU ABROL)
Director (Finance)

(R.G. RAJAN)
Chairman & Managing Director

Place: New Delhi
Date: 3rd August, 2013

Directors' Profile

Shri R.G. Rajan

Shri R.G. Rajan has taken over additional charge as Chairman & Managing Director of National Fertilizers Ltd. on 6th January 2013. He has been Chairman & Managing Director of Rashtriya Chemicals & Fertilizers Limited since November, 2010. Prior to that, Shri Rajan was Chairman and Managing Director of Projects & Development India Ltd (PDIL), Noida.

Shri R.G. Rajan is a graduate in Chemical Engineering from Institute of Technology, Banaras Hindu University. He has also done MBA from Strathclyde Business School, Glasgow, U.K. He has more than 31 years of experience in the field of Conceptual Design, Process Design and Project Management. Areas of expertise include Gas Pipelines, LPG Pipelines, Gas Processing Plants, Petro-chemicals.

He started his career with Engineers India Limited where he worked for 5 years. For the next 21 years he has served GAIL (India) Ltd. New Delhi where he rose to the position of Executive Director (Project Development) prior to taking up the position of Chairman & Managing Director, Projects & Development India Ltd., Noida on 8 January 2007.

He is a Six Sigma Black Belt holder and an Energy Auditor, accredited by Bureau of Energy Efficiency. He has to his credit several articles in reputed national journal.

Ms. Neeru Abrol

Ms. Neeru Abrol aged about 58 years, joined National Fertilizers Limited as Director (Finance) on 1st October 2007. On completion of her tenure, she was relieved on 31st December, 2012. On reinstatement by DoF, she rejoined as Director (Finance) on 10th May, 2013. Prior to this, she had been with Steel Authority of India Limited (SAIL) as General Manager (Finance). A Chartered Accountant by profession Ms. Abrol embodies an extensive experience spanning over 31 years in the field of Financial Management. At SAIL, she successfully handled various managerial positions. She had been non-executive Director and Chairperson of Urvarak Videsh Limited, a joint venture company of NFL, RCF & Kribhco during the period 1st October, 2008 to 30th September, 2009. As Finance Director on the Board of NFL, she is responsible for formulating financial strategies and plan. She oversees the entire gamut of Financial Management in the Company including mobilization of financial resource and optimum utilization of funds. Formulation of company's financial budget, undertaking budgetary controls, ensuring compliance of Company Law and other statutory requirements, internal control systems etc. are some of her other vital areas of operation. She has been conferred with ICAI "Best Business Achiever" Award in Women Category for 2009-10, Scope Award for excellence and outstanding contribution to the Public Sector Management 2009-10 as "Outstanding Women Manager" in CPSEs for the year 2009-10. Ms. Abrol is also a member on Shareholders/Investors' Grievance, Business Development & Strategic Planning and Health & Safety Committees of the Company.

Capt. Pavan Kumar Kaul

Capt. Pavan Kumar Kaul, took over as Director (Marketing) of National Fertilizers Limited (NFL) on 7th February, 2011. Prior to joining NFL, Capt. Kaul was Executive Director, Container Corporation of India (CONCOR). Earlier to CONCOR, he has worked with the Shipping Corporation of India. Capt. Kaul is a Master Mariner, a Post Graduate in Public Administration and a Diploma in Logistics Management. He is 56 years of age. He has brought with him rich experience of Marketing Commercial Business Development, Strategic Planning, Logistics, Project Management, Infrastructure & Cold Chain Development, Shipping, Multi-modal Transportation and Marine technology. He is a member of the Administrative Staff College of India, Institute of Rail Transport and was a member of CII National Exports Committee. Capt. Kaul is widely travelled. He is Chairman of Urvarak Videsh Limited, a joint venture company of NFL, RCF and KRIBHCO. Mr. Kaul is also Member of Corporate Social Responsibility & Sustainable Development, Business Development & Strategic Planning and Health & Safety Committees of the Company.

Shri C.M.T. Britto

Shri C.M.T. Britto has been holding additional charge as Director (Technical) of the Company w.e.f. 7th May, 2013. He has been Director (Technical) of RCF Ltd. since April, 2012. Prior to that, he was Executive Director (Planning and Project Development), RCF. Shri Britto holds a degree in Chemical Engineering. During his career, spanning for more than 30 years, he has worked in various plants and departments of RCF. Shri Britto has travelled to many countries, interacted with many agencies and published several technical papers. Shri Britto is a Member of Audit Committee. He is also a member of Corporate Social Responsibility & Sustainable Development and Health & Safety Committees of the Company.

Shri Satish Chandra

Shri Satish Chandra aged about 51 years is a senior IAS officer of 1986 batch. He has a lot of administrative experience. Shri Chandra joined the Board of the Company on 27.10.2008 and held the additional charge as Chairman & Managing Director, NFL from 31st March, 2011 to 23rd December, 2011. Shri Satish Chandra is also a Director on the Board of Directors of Madras Fertilizers Limited, Indian Potash Limited, OMIFCO and Fertilizer and Chemicals Travancore Limited. Shri Chandra is also a member on the Shareholders/Investors' Grievance Committee of the Company.

Shri Suresh Chandra Gupta

Shri Suresh Chandra Gupta aged about 50 years is a senior IAS Officer of 1986 batch. Before joining IAS, Mr. Gupta worked for Development & Financial Institutions like IDBI, LIC, PNB and UTI. During his first two stints in Central Government, he had handled food security related matters in Union Ministry of Food and Social Sector issues in Ministry of Women and Child Development. He had worked as Director of Hindustan Organic Chemicals Ltd. and Hindustan Insecticides Limited. Presently, he is Joint Secretary to Government of India, Department of Fertilizers, Government of India. Shri Gupta has varied and rich experience. He is also on the Board of FACT Ltd. and KRIBHCO Ltd. He is also Chairman of Shareholders'/Investors' Grievance Committee of the Company.

Shri Munikoti Niranjan Rao

Aged about 64 years, Shri M. Niranjana Rao, is a Practicing Chartered Accountant in Visakhapatnam. He has over 30 years extensive experience in the field of Banking, Taxation, and Financial Management and has been on the Board of the Company as an Independent Director since 6th May, 2011. At Present he is Chairman of the Audit Committee, Remuneration Committee and Corporate Social Responsibility & Sustainable Development Committee.

Shri Vikram Srivastava

Aged about 61 years, Shri Vikram Srivastava is a 1973 batch IPS Officer (Retd.). During his career, he has held various important positions with the Central and State Government including ex-Director General, Bureau of Police Research & Development (BPR&D), CRPF, ITBP. He has big experience in building of new institutions of public importance. He has been appointed as Independent Director of the Company w.e.f. 6th May, 2013. He is also a Member of the Remuneration Committee, Committee on Corporate Social Responsibility & Sustainable Development, Business Development & Strategic Planning Committee of the Company. Besides, he is also Chairman of Health & Safety Committee of the Company.

Shri M. Raman

Aged about 62 years, a 1976 Batch IAS Officer and retired as Secretary in GOI in the Ministry of Chemicals & Petrochemicals in April, 2011. During his 35 years in the service, he had held various important positions both in Central and State Governments. He has indepth practical experience of more than two decades in policy formulation, monitoring and implementation of matters related to industrial development and infrastructure sector. He is also the Member of the Audit Committee and Remuneration Committee, Health & Safety Committee of the Company. Besides, he is also Chairman of the Committee on Business Development and Strategic Planning of the Company.

Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
221-223, Deen Dayal Marg,
New Delhi – 110002

DSP & Associates,
Chartered Accountants
783, D.B. Gupta Road,
Near Faiz Road Crossing,
Karol Bagh, New Delhi-110005.

CERTIFICATE

To,
The Members of
National Fertilizers Limited

We have examined the compliance of the conditions of 'Corporate Governance' by National Fertilizers Limited for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said company with the various stock exchanges.

The compliance of the conditions of 'Corporate Governance' is the responsibility of the Company's management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 'Corporate Governance'. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of 'Corporate Governance' as stipulated in the above mentioned 'Listing Agreement' subject to the following:

"During the year 2012-13, Company did not have optimum number of Independent Directors on its Board of Directors and Audit Committee as required under Clause 49 (I)(A) and 49 (II) (A) respectively of the Listing Agreement."

We state that no investor grievance is pending for a period exceeding one month against the company, as per the records maintained by the 'Shareholders'/Investors' Grievance Committee' and certificate received from the 'Registrar and Share Transfer Agent' of the company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
Firm Regn. No. 000038N

For DSP & Associates,
Chartered Accountants
Firm Regn. No. 006791N

Anil K. Thakur
(Partner)
M. No. 88722

Sanjay Jain
(Partner)
M. No. 84906

Place: New Delhi
Date: 3rd August, 2013

FORM -A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(Annexure to Directors' Report)

			2012-13	2011-12
A. POWER & FUEL CONSUMPTION				
1. ELECTRICITY				
a)	Purchased			
	Unit	Mwh	240024	246670
	Total amount	Rs. in Lakh	15293	13900
	Average rate/Unit	Rs./Mwh	6371	5635
b)	Own Generation			
i)	Through diesel generator Unit			
	Unit	Mwh	2.081	2.999
	Unit per ltrs. of diesel oil	Mwh/ltrs	0.001	0.001
	Cost/Unit	Rs./Mwh	53462	54963
ii)	Through Steam Turbine/Gas Turbine			
	Unit	Mwh	438314	535546
	Coal/unit of Power	MT/Mwh	0.916	0.937
	Oil/unit of Power	MT/Mwh	0.045	0.055
	Gas/unit of Power	000sm ³ /Mwh	0.184	0.187
	Cost per Unit	Rs./Mwh	4059	4277
iii)	From Waste Steam	Mwh		
COAL(Specify quality & where used)				
(Slack coal used for operating boilers)				
	Quantity	MT	1055658	1404071
	Total cost	Rs. in Lakh	45276	47998
	Average rate	Rs./MT	4289	3418
FURNACE OIL/LSHS				
	Quantity	MT	84596	117096
	Total cost	Rs. in Lakh	44506	56316
	Average rate	Rs./MT	52610	48094
OTHER/INTERNAL GENERATION				
Natural Gas				
	Quantity 000M3	000sm ³	178577	164090
	Total cost(Rs/Lakhs)	Rs. in Lakh	24076	19071
	Rate/Unit(Rs)	Rs./000sm ³	13482	11622
Naphtha				
	Quantity (MT)	MT	0	365
	Total cost(Rs/Lakhs)	Rs. in Lakh	0	86
	Rate/Unit(Rs)	Rs./MT	0	23509
CONSUMPTION PER UNIT OF PRODUCTION				
i)	Electricity	Mwh	0.214	0.216
ii)	Fuel Oil	MT	0.075	0.079
iii)	Coal	MT	0.932	0.944
iv)	Gas	000M ³	0.086	0.086
iv)	Naphtha	MT	0.000	0.000

FORM -B

Disclosure of Particulars with respect to Conservation of Energy & Technology Absorption (Annexure to Director's Report)

1. Technology Absorption

- Revamp of F.O based units at Panipat, Bathinda and Nangal for changeover of feedstock for Ammonia plant from Fuel Oil/LSHS to NG/RLNG has been successfully commissioned. Commercial production has been declared with effect from 28th & 11th of March 2013 respectively at Panipat & Bathinda. In case of Nangal, plant has been commissioned on 9th April, 2013 and commercial production has been declared on 18th July, 2013.

Post revamp, Panipat & Bathinda plants are able to achieve energy consumption level of 7.6 & 7.4 GCal/MT Urea respectively on day-to-day basis from earlier level of 9.5-9.6 Gcal/MT. Nangal is expected to achieve energy consumption level of 7.1 Gcal/MT. In addition to reduction in energy consumption levels, the changeover has lowered effluent discharge due to use of cleaner feed stock.

- The coal based boilers at Panipat, Bathinda & Nangal have been revamped for use of cleaner Natural Gas as support fuel in place of Fuel oil. This has eliminated use of costly F. Oil, as well as improved reliability & emissions.
- Vapor Absorption Machine in suction of Air compressor at Vijaipur I is being implemented to improve the energy efficiency of the Ammonia I plant at Vijaipur.
- Action has been initiated for installation of a Purge Gas Recovery plant in Ammonia plant at Vijaipur II. This will result in additional production of Ammonia, which will be converted to Urea with CO₂ from CDR plant. In addition, it will also marginally reduce Energy consumption per MT in Ammonia.

2. Future Action Plan:

- Joint venture with M/s. EIL for setting up mega Ammonia-Urea project at Ramagundam.
- Large scale production of liquid bio-fertilizers at NFL, Vijaipur.

3. Energy Conservation Measures

The company is committed to improve the plant performance & reduce energy consumption. Few of the energy conservation measures undertaken are as follows:

- Energy Saving Project (ESP) of Ammonia Plant along with capacity augmentation of Urea plant in Vijaipur-I have been executed and commissioned in May 2012 leading to increase in production by about 16% over capacity besides saving in energy.
- Capacity augmentation project of Vijaipur II unit has been executed and commissioned in July 2012 leading to an increase in production by about 23% over capacity.
- Carbon Dioxide Recovery (CDR) plant in Vijaipur I has been installed and commissioned in June 2012. This has helped in the augmentation of production of Urea and also reduce emission of Green House gases in the form of CO₂ from Primary Reformer Stack.
- At Vijaipur, scheme for utilization of off gases from MP inert washing columns in Urea plant of Vijaipur II as fuel in CPP boilers was implemented in October 2012. This has resulted in saving of 1.4 Gcal/hr energy in terms of Natural Gas fuel amounting to a financial saving of Rs. 1.4 crore annually.

4. Foreign Exchange earnings & Outgo

(₹ in crore)

Particulars	For the year ended	
	31.03.2013	31.03.2012
Foreign Exchange used:-		
(1) CIF Value of import	210.19	214.52
(2) Other expenditure in foreign currency including Consultancy and Professional charges	17.00	105.19

There was no earnings of foreign exchange during the year.

5. Industrial Safety, Ecology and Pollution Control

Company accords highest priority to Industrial Safety, Ecology & Pollution Control. NFL is meeting all the statutory standards in this regard.

- All the Units are ISO-9001-2008 certified for Quality Management System and ISO-14001-2004 certified for Environment Management System.
- All the units have received OHSAS-18001 Certification for Occupational Health & Safety Management System.
- Carbon Dioxide Recovery plant of 450 MTPD capacity has been installed and commissioned in Vijaipur I for recovery of Carbon Dioxide from flue gases of Primary Reformer. This has resulted in reduction in discharge of Greenhouse gases in the form of CO₂.
- Silo system for collecting fly ash from ESP hoppers using dense phase pneumatic conveying system has been commissioned at Nangal in line with system is already in place at Panipat and Bathinda Units. This system has reduced the quantity of ash slurry disposal and the ecological problem associated in its disposal, as well has resulted in saving in electrical energy used for pumping the ash slurry.

Report On Sustainable Development

Inclusive and sustainable development is the need of present generation due to increasing climatic changes and rising disparity in the society. With above objective in mind, NFL has taken various initiatives in adopting best practices for environment management, energy conservation and social upliftment leading to sustainable development.

1.0 USE OF CLEANER AND GREENER FUEL:

- One of the major milestones achieved by NFL in this direction is switchover of all its fuel oil feedstock based plants at Nangal, Panipat and Bathinda to natural gas that is cleaner and energy efficient. With this initiative, NFL's 100% urea production is now based on gas as feedstock. In addition to above, specific energy consumption has also come down by more than 20 %. A comparison of specific energy consumption before and after revamp is as detailed below:

(Gcal/MT urea)

	Pre revamp energy	Post revamp
Nangal	9.5	7.5- 7.6
Panipat	9.7 - 9.8	7.5- 7.6
Bathinda	9.7- 9.8	7.5- 7.6

- NFL has also switched over the support fuel in the coal fired boilers at Panipat, Bathinda & Nangal to natural gas instead of fuel oil. This has eliminated use of costly fuel oil besides improving reliability and reducing carbon footprint.

2.0 IMPROVED ENERGY EFFICIENCY AND INCREASED THROUGHPUT

NFL is continuously endeavoring to improve the energy efficiency of its manufacturing Units by improving its operation and maintenance practices, enhancing throughput and implementing energy saving schemes.

- In this direction, NFL has executed Capacity Augmentation Projects of Ammonia & Urea at Vijaipur-I on 24.04.2012 and of Vijaipur II on 31.07.2012. In addition to above, carbon dioxide recovery plant has been installed and commissioned at Vijaipur w.e.f. 25.05.2012 which shall help in reducing the carbon footprint from Vijaipur whilst increasing the urea throughput.

The resultant improvement in annual production and energy at Vijaipur is anticipated as follows:

Sl.No	Particulars	Capacity (MT)		Energy (Gcal/MT urea)		
		Pre-Revamp	Post-Revamp	Pre-Revamp	Post-Revamp	NPS-III norm
	Vijaipur-I					
A	Ammonia	501600	577500			
B	Urea	864600	999900	5.8	5.6	5.952
	Vijaipur-II					
A	Ammonia	501600	615120			
B	Urea	864600	1066230	5.5	5.4	5.712
	CDR	-----	450 MTPD			

- **Installation of Vapor absorption machine (VAM) :** Vijaipur-I is in the process of installation of a Vapor Absorption Machine which will cool down the suction air to process air compressor, thus increasing throughput of the air in the compressor leading to higher plant capacity utilization. The machine will be installed and commissioned in financial year 2013- 14.
- **Purge gas recovery in Vijaipur-II :** Ammonia-I at Vijaipur already has a purge gas recovery system which recovers hydrogen from the synthesis purge gas before consuming it as a fuel in reformer thus saving energy and increasing ammonia production. Similar system is being proposed for Ammonia-II at Vijaipur to increase production and improve energy efficiency of the plant.
- **Replacement of lights with energy efficient lights :** In a well chartered strategy ensuring energy efficiency, Panipat Unit has replaced all its tube lights to energy efficient CFL's. In addition to above, 26 no. of lights have been installed from GT road to NFL hospital in NFL township. Other units are in the process of replacing more than 150 lights in various Buildings of Plants & Corp. Office with energy efficient CFL and use of solar lights is also being planned.

3.0 SAFETY AND ENVIRONMENT CONSCIOUSNESS

NFL remains focused towards achieving Sustained energy efficient operation of its ageing manufacturing facilities while maintaining pollution free environment and process safety. All manufacturing Units of NFL continue to be ISO 9001-2008 , ISO -14001-2004 and OHSAS -18001 certified which indicate our commitment to Quality Management system , Environment Management system and Occupational Health and Safety Systems.

- State of the art safety practices were adopted by contractors during the project construction and commissioning at Panipat, Bathinda and Nangal Units at a time of conversion of feedstock fuel oil to gas. There has been no reportable accident in any of the plant sites. Panipat Unit has been awarded "Shreshtha Suraksha Puraskar" for the year 2011 from National Safety. Council (India) Mumbai, amongst the manufacturing sector is Chemical & Chemical products and National Level Safety Award for excellence in Safety in Nitrogenous and Complex Fertilizer plant "Runner Up for 2011-12" by FAI.
- To safeguard the Plants from emergencies which normally manifest in three basic form of Fire, Explosion and Toxic gas release,
- "On site Emergency Disaster Plan" is available in Units . It aims to train the people to act efficiently and confidently in an emergency with minimum damage to human life and property. The procedures are regularly reviewed and updated by carrying out surprise mock drill. Performance of each mock drill is appraised on following parameters:
 - a) Time factor or response time of fire crew
 - b) Command and control of Shift in charge
 - c) Operational Skill
 - d) Team Work & coordination, Topographical knowledge of installations
- Silo system for collecting fly ash from ESP hoppers of coal fired boilers using dense phase pneumatic conveying system has been commissioned at Nangal in line with system already in place at Panipat and Bathinda Units.
This system has reduced the quantity of ash slurry disposal and the ecological problem associated in its disposal, as well has resulted in saving of electrical energy used for pumping the ash slurry.
- Afforestation has been adopted by all units. 79729 trees in and around various units/ marketing offices were planted in our drive towards leaving a cleaner and greener earth for future generations.

4.0 UTILIZATION OF IDLE ASSETS :

- NFL identified idle assets lying in other fertilizer units that can be refurbished for future and immediate replacement in its manufacturing unit. Urea Reactor, 1st stage Total Condenser (HE-2B), Motor for BFW Pump (G-2302), Extraction steam isolation valve for synthesis compressor turbine and Refrigeration compressor in Ammonia Storage Section were brought from FCI, Sindri and replaced at Nangal Unit during the shut down taken for hook up of ammonia feedstock changeover project.

This has led to huge saving in energy costs associated with manufacture of a new item whilst utilizing an idle asset. Further, if purchased afresh would have cost more than Rs.20 crores.

- Non-moving Inventory: Units are regularly reviewing the non-moving inventory and after identification of Surplus/ obsolete /redundant items, action is being taken for their disposal. This will reduce company's inventory carrying costs.

5. DEVELOPMENT OF SUSTAINABLE PRODUCTS:

- Neem Coated urea:** NFL has been the pioneer for manufacture of environment friendly neem coated fertilizers. During the year 2012-13, NFL manufactured 10.83 lakh MT of neem coated urea fertilizer which besides regulating release of the nutrient Nitrogen also provides the crop with a natural pesticide .

During 2012-13 Panipat, Bathinda and Vijaipur Units had facility for producing neem coated fertilizers. Similar facility has been provided for at Nangal Unit also. Now all four locations of NFL have facility to produce neem coated urea.

Manufacture of liquid bio-fertilizers: Bio-fertilizers, more commonly known as microbial inoculants, are artificially multiplied cultures of certain soil organisms that can improve soil fertility and crop productivity.

Besides accessing nutrients, bio-fertilizers control soil borne diseases and improve the soil health and soil properties and helps not only in saving, but also in effectively utilizing chemical fertilizers and result in higher yield rates.

NFL is producing three types of solid fertilizers namely Rhizobium, Azetobacter, and PSB. In order to increase the shelf life of these fertilizers, liquid bio-fertilizers have been successfully prepared at its Vijaipur plant. In the year 2012-13, 82.46 MT of solid and 91.28 KL of liquid bio fertilizers were produced.

Seed Processing Unit at Indore: Seed processing is a vital part of the seed production needed to move the improved genetic materials of the plant breeder into commercial channels. The farmer must get the quality seed that is free from all undesired materials because farmer's entire crop depends on it.

With this in view, NFL traded 112493 quintals of CS seed worth Rs 2602 lakh . NFL is also envisaging construction of company's own seed processing plant at Indore along with readying Paddy seed production in 120 acres in Haryana from foundation to certified and 10 acres in Uttarkhand from Breeder to foundation seed.

Report on Corporate Social Responsibility

Corporate Social Responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment. NFL as a socially responsible corporate has been supporting community development programmes covering wide range of welfare activities in rural areas.

Company has adopted several villages in different states, which include:-

Anandpur Jalbera, Nangal Kheri, Garhi Besik, Goyla Khurd, Khojkipur (Haryana), Gadota (Rajasthan), Bela Dhayani (Punjab), Rampur, Torni, Dongar, Chainpura, Vijaipur (Madhya Pradesh), Raghav Nagar (Uttarakhand) and Samardiha (Bihar). The major focus areas under these programmes are:

- Creating awareness about Human Health and Hygiene.
- Creating health awareness about Animal Health.
- Children Education.
- Women Empowerment.
- Skill Development for Self-Employment.
- To promote use of Non conventional source of Energy (Solar Energy).
- Water Conservation / Water Harvesting.

Company has undertaken the following programmes during the year under review:-

HUMAN HEALTH & HYGIENE CAMPS

A healthy person can contribute to society effectively by his/her healthy and innovative ideas and hard work. Considering this, NFL has been emphasizing on human health & hygiene of rural India. Company organized 22 health camps in adopted villages and a total of 4336 villagers were benefitted. Specialist doctors were invited for free checkups and medicines recommended/ prescribed, were distributed free of cost to villagers. Lectures / tips on preventive healthcare were also arranged. Company also constructed six Aanganwadis in villages for rural children.



A view of Human Health Camp at village Torni (Madhya Pradesh)

ANIMAL HEALTH CAMPS

Domestic Animals play an important role in rural economy. Company being in Agriculture input business, understanding the importance of domestic animals, organized 11 Animal Health Camps in adopted villages. In these camps animals were vaccinated, checked for common diseases and free medicines were distributed to owners of domestic animals. A total of 2397 domestic animals were benefitted.



A view of Animal Health Camp at village Samardiha (Bihar)

CHILDREN EDUCATION

Education is the preparation of a child intellectually, emotionally, spiritually, and physically for life and for eternity. Keeping in mind that children are future of the nation and importance of education for children, Company contributed to improve literacy level in villages by providing uniforms, school furniture, safe drinking water facility, ceiling fans, sports infrastructure, etc. in adopted village schools to encourage maximum participation of rural children, Company has also organized essay writing, painting competitions in rural schools. A total of 1414 children got benefited.

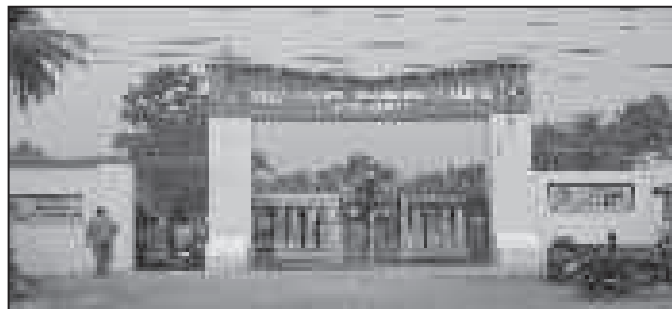


Children participating in Essay Writing Competition

Company has also collaborated with State Government of Odisha for construction of Auditorium-cum-Gallery classroom at Betnoti College, Mayurbhanj with an objective to prepare students of backward/ tribal area to face the competitive world by developing their ability through education.

PARTICIPATION IN RENOVATION OF UTKAL BALASHRAM, BALASORE, ODISHA

Company is also actively participating in construction and renovation of Utkal Balashram in Balasore District of Odisha. Utkal Balashram is one of the oldest and reputed Orphanage of Balasore District established in 1944 rendering valuable service to the orphan children of Balasore and surrounding districts. At present about 250 orphan children are staying in this Utkal Balashram. The Balashram is functioning in very old building which is more than 100 years old. Company has collaborated with District Welfare Board to make available basic facilities



A View of renovated Utkal Blashram, Balasore (Odisha)

like hygienic kitchen, dining hall, reading room, play area and hostel facilities. This has helped in upgrading the Utkal Balashram to a model institute providing facilities to the under privileged children of the society.

WOMEN EMPOWERMENT

Empowering women is an indispensable tool in advancing development and reducing poverty. Empowered women contribute to the health and productivity of whole families and communities and to improve prospects for the next generation. Company under its women empowerment initiatives organized skill development activities like stitching, embroidery, beautician and awareness activities like legal awareness in adopted villages. Stitching machines and beautician kits were distributed to women free of cost. 330 women were benefitted through this initiative.



Glimpses of Women Empowerment Activities

SKILL DEVELOPMENT

Under this initiative, Company provided mushroom cultivation training, mobile repairing training in adopted villages. Company in collaboration with Central Institute of plastics Engineering & Technology (CIPET), Bhubaneshwar (Odisha) has organized a six month training of Plastics Processing Machine Operator for youth of economically weaker sections. 146 youths were benefitted from programmes.



A View of Mushroom Training at Samardiha



A View of Training at CIPET, Bhubaneshwar

NON-CONVENTIONAL SOURCE OF ENERGY (SOLAR ENERGY)

Rural areas are in acute shortage of electricity. To cope up with shortage of electricity and to illuminate rural villages, Company has installed 52 solar lights at common places of villages in adopted villages. Company also contributed in establishing a solar water heating system at Prasanthi Old Home, Srikakulam (Andhra Pradesh) through Govt. of Andhra Pradesh.

WATER HARVESTING / RECHARGING DAMS

Underground water level is depleting day by day because of less rainfall and excessive uptake of ground water. Company has constructed 3 water harvesting / water recharging small dams in Rampur village of district Gwalior in Madhya Pradesh. This would help in water recharging, prevent land erosion and provide water to the surrounding area in scarcity time.

ASSISTANCE TO CANCER AFFECTED CHILDREN

Company also given a helping hand to 50 cancer affected children in their treatment through CANKIDS (A NGO certified by AIIMS).

Annexure-VIII

Information on persons belonging to Scheduled Castes / Scheduled Tribes / Other Backward Classes / Physically Disabled category:

The guidelines on reservation for Scheduled Castes (SC) and Scheduled Tribes (ST) were implemented in letter and spirit. Details of representations of SC/ST/OBC/PH employees as on 31st March 2013 are as follows: -

Representation of SC/ST/OBC/PH as on 31.3.2013									
Group	Total No. of employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	1589	333	20.96	87	5.48	94	5.92	9	0.57
B	1913	518	27.08	146	7.63	114	5.96	21	1.10
C	665	165	24.81	35	5.26	100	15.04	16	2.41
D (Excluding Safai Sewaks)	46	21	45.65	3	6.52	6	13.04	2	4.35
D (Safai Sewaks)	78	78	100.00	0	0.00	0	0.00	0	0.00
TOTAL	4291	1115	25.98	271	6.32	314	7.32	48	1.12

Recruitment of SC/ST/OBC/PH during the year

Group	Total No. of employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	2	-	-	-	-	1	50	-	-
B	-	-	-	-	-	-	-	-	-
C	1	-	-	-	-	-	-	-	-
D (Excluding Safai Sewaks)	-	-	-	-	-	-	-	-	-
D (Safai Sewaks)	-	-	-	-	-	-	-	-	-
TOTAL	3	-	-	-	-	1	33.33	-	-

Promotion of SC/ST/OBC/PH during the year

Group	Total employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	271	61	22.51	17	6.27	-	-	-	-
B	131	37	28.24	4	3.05	-	-	-	-
C	322	90	27.95	7	2.17	-	-	-	-
D (Excluding Safai Sewaks)	5	3	60.00	0	0.00	-	-	-	-
D (Safai Sewaks)	5	5	100.00	0	0.00	-	-	-	-
TOTAL	734	196	26.70	28	3.81	-	-	-	-

The overall reservation percentage achieved for SC category employees is 25.98 which is more than the prescribed reservation. In case of ST, the percentage achieved is 6.32%. There is a slight shortfall than the prescribed reservation because the reservation in Group C' and 'D' posts filled up by Direct Recruitment in the States of Punjab and Haryana where three plants of the Company are located was abolished w.e.f 1st June, 1985. For other backward classes, the reservation is 7.32%.

NATIONAL FERTILIZERS LIMITED
Registered Office: SCOPE Complex, Core-III,
7, Institutional Area, Lodhi Road,
New Delhi – 110 003

NOTICE OF 39th ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the Members of National Fertilizers Limited will be held at 10.30 A.M. on Tuesday, the 17th September, 2013 at Air Force Auditorium, Subroto Park, New Delhi – 110 010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2013 and Statement of Profit & Loss for the year ended on that date together with the Reports of the Directors' and the Auditors thereon.
2. To appoint a Director in place of Shri Satish Chandra, who retires by rotation and is eligible for reappointment.
3. To fix remuneration of Statutory Auditors for the financial year 2013-14.

SPECIAL BUSINESS

4. To appoint Shri Vikram Srivastava, 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 Shri Vikram Srivastava, who was appointed as an Additional Director of the Company and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257(1) of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

5. To appoint Shri M. Raman, 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 Shri M. Raman who was appointed as an Additional Director of the Company and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257(1) of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

6. To alter the Articles of Association of the Company by inserting the following as Article 37AA providing for Buyback of Shares and, if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:-

"RESOLVED THAT the following be inserted as Article 37AA in the Articles of Association of the Company providing for buyback of shares:-

"Subject to such directions as may be issued by the President in this behalf, notwithstanding anything contained in any other Article of the Articles of Association, but subject to the provisions of Section 77A and 77B of the Companies Act, 1956 and Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, any of its shares and any other security as may be specified under the Act, Rules and regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such

acquisition/purchase on such terms and conditions and at such time or times in one or more installments as the Board may in its discretion decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed as may be permitted under the Act or the Regulations as may be in force at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules & regulations governing such issue.”

By Order of the Board of Directors

Tek Chand

GM (F&A) I/c & Company Secretary

Place: New Delhi

Date: 3rd August, 2013

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business items 4, 5 and 6 above is annexed hereto.

2. **APPOINTMENT OF PROXY**

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote instead of himself. Such proxy need not be a member of the company. A blank form of proxy is enclosed herewith and, if intended to be used, it should be returned duly completed at the Registered Office of the company not less than forty-eight hours before the scheduled time of the commencement of the Meeting.

3. **APPOINTMENT OF AUTHORISED REPRESENTATIVES**

No person shall be entitled to attend or vote at the meeting as a duly authorized representative of any body corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy by the Chairman of the meeting at which it was passed, shall have been deposited at the Registered Office of the Company not less than forty eight hours before the scheduled time of the commencement of the meeting.

4. **CLOSURE OF REGISTER OF SHAREHOLDERS**

The Register of Members and Share Transfer Books of the Company will remain closed from 6th September, 2013 to 17th September, 2013 (both days inclusive) for the purpose of AGM.

5. **CHANGE OF ADDRESS**

Members holding shares in physical form should notify change in their addresses, if any, to the Registrar & Transfer Agent specifying full address in block letters with PIN CODE of their post offices, which is mandatory. Members holding shares in electronic form (demat), should inform the change of address to their depository participant.

6. **GREEN INITIATIVE IN CORPORATE GOVERNANCE**

In order to conserve paper and minimize the impact on the environment, the Company proposes to send documents such as Notice of the General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to all its shareholders in electronic form, through email. Shareholders are requested to

indicate their e-mail ID to Depository Participant in case of shares are held in demat form and also register e-mail ID with the Registrar and Share Transfer Agents of the Company viz. "M/s MAS Services Limited" at their website www.masserv.com.

In case of shares are held in physical form, shareholders are requested to inform email ID to Company's Registrar and Share Transfer Agent viz. "M/s MAS Services Limited" at their website www.masserv.com or to the Company at Email ID investor@nfl.co.in.

7. CONSOLIDATION OF HOLDINGS

Members holding shares in identical order of names in more than one Folio are requested to write to the Registrar & Transfer Agent enclosing their share certificates to enable the Company to consolidate their holdings in one Folio.

8. UNCLAIMED DIVIDEND

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 as amended, the dividend amounts which remain unclaimed or unpaid for a period of seven years are required to be transferred to the Investors' Education and Protection Fund (IEPF) of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the financial year ended 31st March, 2006, which remains unclaimed for a period of 7 years will be transferred to the said account.

Members who have not yet claimed their dividend are requested to make their claims to the Company before the expiry of the stipulated period of 7 years as stated above. For the dividend for 2005-06, the period expires on 27th September, 2013.

9. NOMINATION

Members may avail facility of nomination in terms of Section 109A of the Companies Act, 1956, by nominating in the Form-2B (given elsewhere in the Annual Report) any person to whom their shares in the Company shall vest in the event of death.

10. COMPULSORY TRADING OF SHARES OF THE COMPANY IN DEMATERIALISED (DEMAT) FORM

The shares of the Company are compulsorily traded in dematerialized mode. The Company has signed agreements with both the depositories i.e. National Securities Depository Limited (NSDL) and Central Depositories Service (India) Limited (CDSL).

11. INSPECTION OF REGISTERS AND DOCUMENTS

All the documents referred to in the accompanying notice, explanatory statement and the Register of Directors' Shareholding and the Register of Contracts maintained under Sections 307 and 301 of the Companies Act, 1956 respectively are open for inspection at the registered office of the Company upto the date of Annual General Meeting. Register of Directors' Shareholding shall be open for inspection upto 3 days after the Annual General Meeting.

12. Shareholders may kindly note that no gift/coupon will be distributed at the Annual General Meeting.

13. SHAREHOLDER QUERIES

In case Members have any query relating to the Annual Accounts or about the operations of the Company, they may send the same to the Company Secretary at the Registered Office of the Company at least seven days in advance of the Meeting.

14. ATTENDANCE SLIP-CUM ENTRY PASS

For the convenience of the shareholders, attendance slip-cum-entry pass is annexed to the Annual Report, Shareholders/Proxy holders/Authorized Representatives are requested to fill in and affix their signatures at the space provided therein and surrender the same at the venue. Proxy/Authorized Representatives of shareholders should state on their attendance slip-cum-entry pass as 'Proxy' or 'Authorized Representative' as the case may be.

15. Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered Folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.
16. Due to strict security reasons, no eatables, helmet, briefcase or bag, mobile phone, etc are allowed inside the Auditorium. Persons attending the meeting are, therefore, requested to make their own arrangement for safe custody of such articles.

By Order of the Board of Directors

Tek Chand
GM (F&A) I/c & Company Secretary

Place: New Delhi
Date: 3rd August, 2013

ANNEXURE TO THE NOTICE : EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No.4

Shri Vikram Srivastava, aged about 61 years, was appointed as non-Executive Independent Director on 6th May, 2013 and shall be holding office till the Annual General Meeting. An IPS 1973 batch officer (Retd.) had held various important positions with the Central and State Government including ex-Director General, Bureau of Police Research & Development (BPR&D), CRPF, ITBP. He has enormous experience in building up of new institutions of public importance.

Notice has been received in writing under Section 257 (1) of the said Act proposing the candidature of Shri Srivastava as Director. He will be liable to retire by rotation.

The Board of Directors recommends the resolution for approval of the shareholders. None of the Directors except Shri Srivastava to the extent of his appointment as Director is concerned or interested in the resolution.

Item No.5

Shri M. Raman, aged about 62 years, was appointed as Non Executive Independent Director on 6th May, 2013 and shall be holding office till the Annual General Meeting. An IAS 1976 batch officer retired as Secretary in Government of India in the Ministry of Chemicals & Petrochemicals in April, 2011. During his 35 years in the service, he had held various important positions both in Central and State Governments. He has indepth practical experience of more than two decades in policy formulation, monitoring and implementation of matters related to industrial development and infrastructure sector.

Notice has been received in writing under Section 257 (1) of the said Act proposing the candidature of Shri Raman as Director. He will be liable to retire by rotation.

The Board of Directors recommends the resolution for approval of the shareholders. None of the Directors except Shri Raman to the extent of his appointment as Director is concerned or interested in the resolution.

Item No.6

Department of Public Enterprises (DPE), Government of India vide Office Memorandum No.DPE/14(24)/2011-FIN dated 26th March, 2012 has issued the following guidelines regarding buyback of shares:-

- (i) If a CPSE decides to buyback its own shares from the shareholders using surplus cash, Department of Disinvestment (DoD) on behalf of major shareholders may tender/offer equity on behalf of Government of India.
- (ii) CPSEs will amend their Articles of Association to provide for buyback of shares, if such provision does not exist in their Articles.

Buyback of shares is the process by which a Company buys its shares back from its shareholders or a resort, a shareholder can take in order to sell the shares back to the company subject to the provisions of Section 77A, 77AA and 77B of the Companies Act, 1956 and Articles of Association of the Company.

Shareholders in the AGM held on 11th September, 2012, accorded their approval to insert a new Article 37AA in the Articles of Association through the following Special Resolution:-

“RESOLVED THAT subject to the approval of President of India, the following be inserted as Article 37AA in the Articles of Association of the Company:-

“Subject to such directions as may be issued by the President in this behalf, notwithstanding anything contained in any other Article of the Articles of Association, but subject to the provisions of Section 77A and 77B of the

Companies Act, 1956 and Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, any of its shares and any other security as may be specified under the Act, Rules and regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition/purchase on such terms and conditions and at such time or times in one or more installments as the Board may in its discretion decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed as may be permitted under the Act or the Regulations as may be in force at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules & regulations governing such issue.”

Since the approval of the President to the above modification in the Articles of Association of the Company has been received on 21st June, 2013, exceeding the period of 30 days of the passing of Special Resolution by the AGM on 11th September, 2012, the same got lapsed.

Now, approval of shareholders is again solicited to alter the Articles of Association of the Company to provide for buy-back of shares by inserting a new Article as Article 37AA through Special Resolution:-

Article 37AA

Subject to such directions as may be issued by the President in this behalf, notwithstanding anything contained in any other Article of the Articles of Association, but subject to the provisions of Section 77A and 77B of the Companies Act, 1956 and Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, any of its shares and any other security as may be specified under the Act, Rules and regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition/purchase on such terms and conditions and at such time or times in one or more installments as the Board may in its discretion decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed as may be permitted under the Act or the Regulations as may be in force at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules & regulations governing such issue.”

The Board of Directors recommends the resolution for approval of the shareholders as a Special Resolution. None of the Directors is interested or concerned in the above resolution except to the extent that he/she is a Director of the Company.

By Order of the Board of Directors

Tek Chand
GM (F&A) I/c & Company Secretary

Place: New Delhi
Date: 3rd August, 2013

NATIONAL FERTILIZERS LIMITED

Registered Office: Scope Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi – 110 003.

Dear Shareholder,

National Fertilizers Ltd. is an Environment friendly Company and utilizes natural resources in a sustainable way. The Ministry of Corporate Affairs (MCA), Government of India has allowed companies to send official documents to their shareholders electronically as part of its green initiatives in corporate governance.

In order to conserve paper and minimize the impact on the environment, the Company proposes to send documents such as Notice of the General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc., henceforth to all its shareholders in electronic form, through email.

We request you to inform **your e-mail address** to your Depository Participant in case you are holding shares in demat form and also register your e-mail ID at our Registrar and Share Transfer Agents viz. "M/s MAS Services Limited" at their website **www.masserv.com** at the earliest.

In case you are holding shares in physical form, we request you to inform your email address to our Registrar and Transfer Agent viz. "M/s MAS Services Limited" at their website **www.masserv.com** at the earliest.

You are also requested to intimate to the Depository Participants (DP), changes, if any, in your registered addresses, e-mail ID and /or changes in your bank account details.

We expect to receive your co-operation towards this welcome initiative taken by MCA.

Thanking you,

Yours truly,

For National Fertilizers Limited

(Tek Chand)

G.M.(F&A)/c & Company Secretary

Dated: 3rd August, 2013

FORM 2B
(See rules 4CCC and 5D of Companies (Central Govt.'s) General Rules & Forms, 1956)
NOMINATION FORM
(TO BE FILLED BY INDIVIDUAL(S) APPLYING SINGLY OR JOINTLY)

I/We _____ and _____ and _____
_____ the holder of shares bearing number(s) _____ of National Fertilizers Limited, wish
to make a nomination and do hereby nominate the following person(s) in whom all rights of transfer and/or amount
payable in respect of shares shall vest in the event of my or our death.

Name(s) and Address(es) of Nominee(s)

Name : _____

Address: _____

Date of Birth* _____

(*to be furnished in case nominee is a minor)

**The Nominee is a minor whose guardian is _____

Name and Address _____

(*To be deleted if not applicable)

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Address, Name and Signature of two witnesses:-

Name and Address	Signature with date
1. _____	_____
2. _____	_____

Instructions:-

1. The Nomination can be made by individuals only applying/holding shares on their own behalf singly or jointly, Non-individuals including society, trust, body corporate, partnership firm, Karta or Hindu Undivided Family, holder of power of attorney cannot nominate. If the shares are held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders, more sheets can be added for signatures of holders of shares and witness.
2. A minor can be nominated by a holder of shares and in the event the name and address of the Guardian shall be given by the holder.
3. The nominee shall not be a Trust, Society, Body Corporate, Partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of share.
5. Transfer of share in favour of a nominee shall be valid discharge by a Company against the legal heir.
6. The intimation regarding Nomination/Nomination Form shall be filled in duplicate with Company/ Registrar and Share Transfer Agent of the Company who will return one copy thereof to the shareholder.

NATIONAL FERTILIZERS LIMITED

Registered Office: Scope Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi – 110 003.

PROXY FORM

I/We _____ of _____ (address) being a Member(s) of National Fertilizers Limited hereby appoint Mr./Mrs. _____ of _____ or failing him/her _____ of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at the 39th Annual General Meeting of the Company to be held on Tuesday, 17th September, 2013 at 10.30 AM at Air Force Auditorium, Subroto Park, New Delhi-110010 or at any adjournment thereof.

Signed this _____ day of _____ 2013.

DP Id. No.	
------------	--

Regd. Folio No.	
-----------------	--

Client Id No.	
---------------	--

No. of Share(s) held	
----------------------	--

Affix
Re.1/- Revenue Stamp

Signature.....

The Proxy form should be signed by the member across the stamp.

The Proxy form should be deposited at the Company's Registered Office, 48 hours before the scheduled time of the meeting.

Those who hold shares in Demat form to quote their DP Id. No. and Client Id. No.

NATIONAL FERTILIZERS LIMITED

Registered Office: Scope Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi – 110 003.

ATTENDANCE SLIP

Name of Shareholder(s) _____

Address _____

DP Id. No.	
------------	--

Regd. Folio No.	
-----------------	--

Client Id No.	
---------------	--

No. of Share(s) held	
----------------------	--

I/We hereby record my/our presence at the 39th Annual General Meeting of the Company held on Tuesday, September 17, 2013 at 10.30 AM at Air Force Auditorium, Subroto Park, New Delhi – 110 010.

.....
Signature of Member(s)/Proxy

Note:

1. Please bring your copy of Annual Report to the meeting.
2. Due to strict security reasons, no eatables, helmets, briefcase, etc are allowed inside the Auditorium. Persons attending the meeting are, therefore, requested to make their own arrangement for safe custody of such articles.
3. No gifts/coupons will be distributed at the meeting.



नेशनल फर्टिलाइजर्स लिमिटेड
एन.एफ.एल.
NATIONAL FERTILIZERS LIMITED

NATIONAL FERTILIZERS LIMITED

(A Govt. of India undertaking)

Regd. Office: Scope Complex, Core-III, 7 Institutional Area,
Lodhi Road, New Delhi-110003

Corporate Office : A-11, Sector-24, Noida-201301

Website : www.nationalfertilizers.com