



Board Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 42nd Annual Report on the business and operations of the Company together with the Audited Financial Statements including Consolidated Financial Statements of the Company for the Financial Year 2015-16 and the Auditors' Reports and comments of the Comptroller & Auditor General of India (C&AG).

During the year 2015-16, Company achieved a turnover of ₹ 7765.88 crore as against ₹ 8519.69 crore achieved during the previous year. The turnover was lower by ₹ 753.81 crore mainly due to reduction in subsidy owing to cheaper gas price under gas pooling mechanism, lower sale quantity of urea, despite higher realizations from sale of neem coated urea.

During 2015-16, Company has achieved highest Profit Before Tax of ₹ 283.49 crore and Profit After Tax of ₹ 197.09 crore during the last ten years.

During the financial year 2015-16, the Company has achieved the ever best production of urea 37.99 LMT with an overall capacity utilization of 118% surpassing the previous best performance of 36.39 LMT during financial year 2014-15. The urea production during 2015-16 includes ever best performance at Nangal, Panipat and Vijaipur-II plants. Further, all the Units of your Company except Vijaipur-I had achieved ever lowest energy consumption in 2015-16, which had helped in optimizing energy consumption in production of urea.

Energy consumption of urea at all the units as compared to pre-set energy norms and corresponding period last year are given below:-

Units	Pre-set Norms (upto 31.05.2015)	Pre-set Norms (w.e.f. 01.06.2015)*	Gcal/MT/Urea	
			Actual Energy	
			2015-16	2014-15
Nangal	7.095	7.095	7.012	7.017
Panipat	7.614	7.614	7.259	7.500
Bathinda	7.479	7.479	7.003	7.131
Vijaipur I	5.952	5.904	5.750	5.740
Vijaipur II	5.712	5.569	5.410	5.431

Financial Highlights

Your Company's key financial parameters during the year 2015-16 and important financial highlights are as under:-

(₹ crore)

Particulars	2015-16	2014-15
Sale of urea (LMT)	36.41	36.79
Sale of urea (Net of Excise Duty)	1966.37	1938.25
Subsidy on urea	5384.14	6461.14
Net Sales of urea	7350.51	8399.39
Sale of other products including subsidy on imported DAP (Net of Excise Duty)	415.37	120.30
Net Sales	7765.88	8519.69
Other Income	46.33	37.13
Total Income	7812.21	8556.82
Total Expenses	7220.81	8138.18
Earnings Before Interest, Depreciation and Taxes (EBIDTA)	591.40	418.64
Interest	227.88	301.36
Depreciation	80.03	72.56
Profit Before Tax (PBT)	283.49	44.72
Provision for tax	86.40	18.48
Profit After Tax (PAT)	197.09	26.24

**RESERVES****Capital Reserve**

The balance as at 31st March 2016 amounted to ₹ 2.51 crore, which was at the same level as was in the previous year.

Debenture Redemption Reserve

The debenture redemption reserve stood at ₹10.04 crore as compared to ₹17.57 crore as on 31.03.2016. The reduction of ₹7.53 crore was on account of redemption of 2nd installment on Non-convertible Bonds.

Corporate Social Responsibility Reserve

CSR Reserve stood at ₹4.01 crore as on 31.03.2016 as compared to ₹5.26 crore on 31.03.2015. The reduction of ₹1.25 crore (net) was on account of amount utilized for CSR expenditure.

General Reserve

An amount of ₹12.57 crore was transferred to General Reserve from the surplus. Further, an amount of ₹ 7.53 crore was transferred to General Reserved from the Debenture Redemption Reserve. The General Reserve as on 31.03.2016 stood at ₹ 322.85 crore as compared to ₹ 302.75 crore as on 31.03.2015.

Surplus

The balance retained in the surplus as at 31st March, 2016 is ₹ 776.66 crore as compared to ₹ 662.33 crore for the previous year, after providing for dividend of ₹59.36 crore and Dividend Tax of ₹12.08 crore.

Dividend

Board has recommended a dividend of 12.10% (₹1.21 per equity share) for the year 2015-16 on equity share of ₹10 each amounting to ₹ 59.36 crore on its paid-up share capital of ₹ 490.58 crore and Dividend Distribution Tax of ₹12.08 crore. The total dividend pay-out including Corporate Dividend Tax accounts for 36.25% of Profit After Tax.

Foreign Exchange Earnings/Outgo

The foreign exchange earnings by way of trade margins during the year was 'NIL'. The foreign exchange outgo by way of imports and other expenses amounted to ₹128.30 crore.

BORROWINGS**Long Term Loans**

Long term loan as on 31st March, 2016 was ₹1827.36 crore. The outstanding Rupee Term Loan, External Commercial Borrowings and Bonds stood at ₹1540 crore, USD 36.95 million and ₹40.16 crore respectively.

Short Term Loans

Short Term borrowings were ₹4292.23 crore (previous year ₹5002.27 crore) as on 31st March, 2016 were outstanding.

Debt Equity Ratio

Debt equity ratio as on 31st March, 2016 has reduced to 2.88:1 as compared to 3.65:1 of previous year due to repayment of long term long term loans.

State of affairs of the Company

Detailed analysis with regard to production, sales targets and achievement thereof has been made in Management Discussion & Analysis Report. However, a brief of production, sales, etc. is given below:-

Production

During the year, your Company achieved ever highest urea production of 37.99 LMT with an overall capacity utilization of 118% surpassing the previous best production of 36.39 LMT achieved during 2014-15. The urea production during 2015-16 included ever best production from Nangal, Panipat and Vijaipur-II Units.

Sales Performance

During the year, your Company achieved urea sale of 36.41 LMT as compared to 36.79 LMT of the previous year, lower by 0.38 LMT (1.03%). Company achieved sales turnover of ₹7765.88 crore compared to ₹ 8519.69 crore of the previous year. The turnover of industrial products increased to ₹127.10 crore as compared to ₹102.21 crore of the previous year primarily due to increase in sale of Nitric Acid.

Trading of Agricultural Products (Pesticides, Seeds, Bentonite Sulphur, Compost, Bio-fertilizers, etc.)

Sale value of other products was ₹ 288.27 crore during the year against ₹18.09 crore achieved during CPLY. The turnover of traded goods was ₹285 crore (including ₹42 crore towards domestic trading of DAP) against CPLY of ₹15 crore.

Agri Extension

NFL is organizing Agriculture Extension Services with the objective to educate farmers on judicious use of fertilizers along with total know how on improved and scientific methods of cultivation, enhancing farmers' knowledge about latest techniques thus helping them to increase productivity.

Dealers/Retailers are important link between company and farmers and key change agents in motivating the farmers to use fertilizers in a balanced manner and adopting Integrated Nutrient management with the use of organic source of fertilizers. 40 Dealer's/Retailer's Orientation Programmes were conducted and more than 2000 dealers/retailers were facilitated by upgrading their knowledge regarding fertilizer/Agro products and improved crop practices so that latest information can be disseminated to farmers at point of purchase to the farmers.

It is essential to educate the farmers on issues related to soil testing, soil health, balanced fertilization etc. to optimize farmer's crop yield and farm income. 88 farmer training programmes were organized during 2015-16 and more than 6000 farmers benefited. During these educational programmes, farmers were sensitized to issues related to soil fertility status including deficiency of various nutrients their remedy to increase fertilizer use efficiency and maximize yields.

During the year, 2015-16, 86 demonstrations were also carried out at farmers field to demonstrate the effect of Biofertilizers and Bentonite Sulphar on crop growth and yield as compare to farmer's own practices.

NFL is making all efforts in rendering advisory services to farmers by conducting Soil testing to optimize soil productivity. Soil testing helps diagnose soil health and evolve soil specific and crop specific solutions. It helps to identify problematic soils, their nutritional status, texture and structure. Based on the analysis, farmers are advised on soil fertility management through rational use of manure, fertilizers and other inputs to make agriculture more productive and sustainable. During the year, more than 36,000 soil samples were analyzed for major and micro nutrients and recommendations given through six static and four mobile soil testing laboratories. NFL has also upgraded its Soil Testing Labs at Barabanki and Nangal by installation of Atomic Absorption Spectrophotometer (AAS) for micronutrient analysis.

Agricultural exhibitions and krishi melas aims to bring stakeholders from all disciplines of Agriculture like farming, Livestock, dairy, import and export, poultry and Horticulture sectors under one roof and provides opportunity to demonstrate their products, exchange their views and share ideas for the growth, sustainability and development of these vital sectors of our economy. Participation in agro exhibitions and university Kisan melas is very effective way to communicate directly with the farmers and also to interact with scientists and experts from various agricultural fields. During the year 2015-16, NFL participated in 36 krishi melas/agriculture exhibitions organized by leading agriculture



NFL Stall in Kisan Mela



NFL employees educating farmers about Neem coated urea



Farmers orientation Programme by NFL



universities, agriculture department in Punjab, Haryana, UP, Uttarakhand, MP, Rajasthan.

A project on “Agronomic evaluation of Nitrification inhibitors and coated urea materials for improving productivity and nitrogen use efficiency of Rice and Sugarcane.” was carried out by NFL through Indian Agriculture Research Institute (IARI) New Delhi was started from 2014-15 and in order to validate the results of first year trial, repeated during 2015-16.

Soil Health Awareness Fortnight Celebrated by Marketing Division

The ‘World Soil Day’ on 05.12.2015, followed by the ‘Soil Health Awareness Fortnight’ from 05.12.2015 to 19.12.2015, was celebrated with much enthusiasm and fervor by marketing department in all the major states of NFL marketing territory. The following planned activities were undertaken during the fortnight:

- A pledge was taken at all 45 field offices with active participation of dealers and farmers.
- Banners promoting awareness on soil testing and balanced fertilization were displayed at all NFL offices and all prominent locations visible to farmers and other stake holders.
- An SMS and voice mail campaign was launched and messages were sent to 3 lakh farmers in Punjab, Haryana, UP, MP, Rajasthan & Bihar.
- 17 jeeps covered more than 500 villages over a period of 7 days and more than 15000 farmers benefitted. The states covered under this campaign are UP, Uttarakhand, Bihar, Jharkhand, Punjab, Haryana, Himachal Pradesh, Rajasthan and MP.
- 5134 soil samples were collected and tested in 9 villages in six states. 3317 soil health cards were distributed during this period. Based on this testing and analysis, soil fertility maps were prepared for and displayed in two of the villages (District Indore & Ratlam)
- Literature (package of packets), purchase from agriculture universities, was distributed to 1000 farmers in 9 villages
- Farmer education programmes were conducted on 05.12.2015 and thereafter in 9 identified villages of Punjab, Haryana, UP, MP, Bihar and Rajasthan.
- A special documentary film on soil health, soil testing and balanced fertilizer use named “Swastha Dharti, Khush-hali ka Aadhaar” was made. The film was shown to farmers in more than 200 villages.



Soil Fertility Map prepared by Company during ‘Soil Health Awareness Fortnight’

Projects

The details of the projects including capital expenditure envisaged are given in the Management Discussion & Analysis Report.

Management Discussion & Analysis Report

Management Discussion & Analysis Report covering business prospects including modernization, diversification, investments, marketing plans, raw materials, human resource, internal management controls including financial performance review, government policies and other factors having impact on the performance of the Company. Operations and future outlook of the Company is appended as Annexure-A1 to this report.

Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance being 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. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and DPE Guidelines on Corporate Governance, a report on Corporate Governance forms part of this report as Annexure-A2.

There is no significant and material orders passed by the regulators or Courts or tribunals impacting the going concern status and Company’s operations in future.

The statutory auditors of the Company have examined and certified your Company’s compliance with respect to conditions enumerated in SEBI (LODR) Listing Regulations, 2015 (erstwhile Clause 49 of the Listing Agreement) and DPE Guidelines on Corporate Governance. Statutory Auditors Certificate on Corporate Governance and explanation of the Management to Statutory Auditors’ observations forms part of this report as annexure-A3.



The Right to Information Act 2005

In consonance with the spirit of Right to Information Act, the Company has created necessary mechanism as required under the Act. The Public Information Officers and an Appellate Authorities are effectively responding to the requests and appeals of the applicants. The names of all PIOs / Appellate Authorities/ Transparency Officer are displayed on the Company's website. During the year, 251 applications were received and the information was provided to the applicants within the prescribed time limit.

Vigil Mechanism

Pursuant to the provisions of Section 177(9) and (10) of the Companies Act, 2013, a vigil mechanism for employees and others to report genuine concerns has been established.

Whistle blower Policy

Your Company believes in transparency and propriety in all 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 whistle blowers. The policy is reviewed periodically. No employee or other stakeholders were denied access to the Audit Committee.

Integrity Pact

With the commitment to maintain the highest standard of transparency and governance, your Company has entered into an Integrity Pact with Transparency International and has also appointed Independent External Monitors, persons of impeccable integrity, to oversee the implementation and effectiveness of the Integrity Pact to bring more transparency in the contracting and procurement operations.

Vigilance

Vigilance Division of the Company is headed by CVO. The CVO is assisted by a team of officers drawn from various functional departments. Vigilance set up is operational in Corporate Office, all manufacturing Units as well as Zonal Marketing Offices.

Promotion of good governance remains the core area of vigilance. Apart from streamlining the systems and providing flexibility to the units to perform better, efforts were made to build confidence across the organization to facilitate faster decision making. Awareness is an important cornerstone for good governance. An enlightened employee contributes in achieving the organizational goal as well as in system improvements. Preventive vigilance workshops/ training programs were conducted at all offices & production units. Involvement of all employees in these programs helps to create an environment of ethical growth in the Company.

Vigilance Awareness Week was observed from 26.10.2015 to 31.10.2015 by giving special emphasis on theme of the year 'Preventive Vigilance as a tool of Good Governance' given by CVC. As desired by CVC, debate competitions were organized involving youth and college students to ensure that vigilance becomes a point of discussion among the youth.

MoU

The Department of Public Enterprises, Govt in order to improve accountability and giving higher autonomy to Public Sector Undertakings, introduced the concept of MoU during early nineties. NFL signed the first MoU with Department of Fertilizers (DoF) for the year 1991-92. The Company has been awarded "Excellent rating" for the 12th time in a row from 2000-01 to 2011-12.

NFL has received "Very Good" rating under MoU for the year 2014-15. Company signed MoU for 2015-16 with DoF on 30-03-2015 which is the 25th year of the Company under MoU system.

Awards & Accolades

- i) **Safety Award** (First prize) from National Safety Council of India (NSCI) to Panipat Unit.
- ii) **"Chal-Vaijayanti Shield"** (First Prize) for excellent work in Official language for the year 2014-15 from Town Official Language Implementation Committee, Noida.
- iii) **First Award towards best pavilion** in Kisan Agri Expo held in Jaipur.
- iv) Third Level **Suraksha Puraskar** (Bronze Trophy) for 2015 to Bathinda Unit under Group-B manufacturing sector by NSCI.
- v) **Sarvashreshtha Suraksha Puraskar** (Golden Trophy) to Panipat Unit under Group B in manufacturing sector from NSCI.
- vi) **"Icon of the Year Award"** to C&MD, NFL by The Institute of Cost Accountants of India for significant contribution to the profession as well as society.



Corporate Social Responsibility

The Company through its CSR initiatives continues to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a Socially Responsible Corporate.

Company has formed a Committee of Directors to guide the CSR activities. The constitution of the committee is given in detail in the Corporate Governance Report. Company follows a well formulated CSR policy to enhance that CSR activities are undertaken in a systematic and methodological manner as per the DPE guidelines, Companies Act, 2013 and Company (CSR) Rules, 2014. CSR Policy is available on the website of the company at www.nationalfertilizers.com.

During the year, 2015-16, the Company incurred an expenditure of ₹125 lakh towards CSR initiatives. Company has undertaken various activities such as construction of toilets in schools, relief work for Chennai flood victims, installation of Atomic Absorption Spectrometer (AAS) equipment for testing of micro nutrients in soil, skill development programmes for women etc. A detailed Report on Corporate Social Responsibility is given in the annexure-B1 to the report.

Research and Development

In compliance with the guidelines on Research & Development (R&D) notified by the Department of Public Enterprises, the Company has an R&D Policy and R&D Plan duly approved by its Board of Directors.

Conservation of energy, Technology Absorption and Foreign Exchange Earnings and outgo

Disclosures in terms of Companies (Accounts) Rules, 2014 in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Outgo are given in the Annexure-B2.

Safety, Environment and Sustainable Development

Company has undertaken various initiatives for in adopting best practices for health, safety, environment management and sustainable development as detailed in the Annexure-B3.

Particulars of Loans, Guarantees, Security and acquisition under Section 186 of Companies Act, 2013

Particulars of loans given, guarantees provided, investments in securities and acquisitions made by the Company during the year under review are given in MBP-2 as Annexure-B4 to the Report.

Joint Venture / Associate Companies

Details of Joint Venture /Associate Companies pursuant to Section 129(3) of Companies Act, 2013, the statement containing the salient features of the financial statement of associate company / joint venture company is included in the consolidated financial statements as Annexure-B5 hereto.

Related Party Disclosures

The particulars of contracts/arrangements entered into by the Company with related parties referred to in Section 188(1) of the Companies Act, 2013 including arm's length transactions under third proviso thereto are disclosed in Form No.AOC-2 as Annexure-B6. Related Party Transactions Policy of the Company is available at www.nationalfertilizers.com.

Risk Management

The chemical fertilizer industry is operated in a hazardous environment and faces many risks including those related to health, safety and environment in addition to general business & financial risks. In order to mitigate them, the company has a comprehensive Risk Management Policy which is regularly reviewed and a periodical review of the risks, procedures and strategies is undertaken. Risks are analyzed at the highest level by a Board level Audit Committee and efforts are made in a planned way to obviate the risks either fully or to minimize their impact.

Particulars of employees

During the year under review, none of employees of the Company had drawn remuneration in excess of the limits prescribed under section 134(3)(c) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Public Procurement Policy of Micro and Small Enterprises (MSEs) Order, 2012

Public Procurement Policy for Micro and Small Enterprises (MSEs) was notified by the Government under the Micro, Small and Medium Enterprises Development Act, 2006 which stipulates that 20% of total annual procurement of goods and services shall be made by all Central



Ministries /Departments /CPSUs from Micro & small Enterprises (MSEs). Within this percentage, a sub total of 4% procurement is to made from MSEs owned by SC/ST entrepreneurs. This Policy has become mandatory w.e.f. 01.04.2015. Requisite information for 2015-16 is annexed as Annexure-B7 to this report.

Human Resource Management

the company has a manpower strength of 3595 employees as on 31.03.2016, which comprises of 1697 executives and 1898 non-executives. company promotes the employment of women and at present 202 women employees are on its rolls, which is 5.61% of the total work force. the detailed analysis with regard to human resource including training and executive development programmes have been made in the Management Discussion and Analysis Report.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Rules issued thereunder, your Company confirms that no complaint/case has been filed/pending with the Company during the year 2015-16.

Official Language

The Company is making all efforts for the 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 under the chairmanship of Head of the Unit/Office to review the progress of official language. In all, 32 Meetings of OLIC were held during the year.

To promote Official Language 'Hindi' 30 Hindi workshops were organized during the year in which 695 employees had participated. Hindi Pakhwada was organized in all the Units/Offices of the Company to mark the Hindi Day. During the year, 53 Programmes/Competitions were held in order to promote Hindi and 1316 employees participated in them. 62 employees were awarded cash prizes under the 'Cash Incentive Scheme' for doing their official work in Hindi.

During the year 2015-16 Corporate Office, Noida was awarded with First Prize "Chal Vijayanti" Shield by Town Official Language Implementation Committee, Noida for doing exceptional work in Hindi.

Regional Implementation Office (Northern region), Ministry of Home, Government of India has awarded First Prize, Rajbhasha Shield to Panipat Unit under "A Category Undertaking" for year 2014-15 for doing excellent work in Hindi.

Initiatives taken for development of employees belonging to Scheduled Casts / Scheduled Tribes / Other Backward Classes (SC/ST/OBC categories)

Company is committed to the development of employees belonging to reserved categories. An Implementation Cell is already functional in all Units / Offices of the Company to oversee the implementation of Presidential Directives on Reservation Policy for SCs/STs. A liaison Officer of appropriate status has been appointed in each Unit/Office to ensure due compliance of orders and instructions pertaining to reservation for SCs and STs and other concessions admissible to them. Meetings were periodically held at Unit level as well as at Corporate level with the SC/ST Welfare Associations by the Management for redressal of grievances of SC/ST employees. As a mark of respect to Bharat Ratna Dr. B. R. Ambedkar, his birth anniversary and Parinirvan Diwas were observed at all Units/Offices of the Company in befitting manner. One park at Nangal Unit, a stadium at Bathinda Unit, Multi-purpose Hall at Vijapur Unit and one Bhawan at Panipat Unit are named after Dr. B.R. Ambedkar. The programmes on implementation of Presidential Directives were held at Units from time to time and SC/ST employees were deputed for such programmes conducted by external agencies. During 2015-16, 2785 man-days training (in-house as well as external training programmes) was imparted to SC/ST employees. A statement showing representation of employees belonging to Scheduled Casts / Scheduled Tribes / backward Classes / Persons with disabilities is appended as Annexure-B8 to this report.

Information Technology

Company has been making optimum use of information technology in various business functions. Web based Marketing Management & Information system is effectively being used by the entire marketing & Finance team for various day-to-day business functions. Many other on-line applications are also running across all plants & Corp. Office. Company is in the process of consolidating various distributed business applications. Mobile alerts to employees are also being incorporated in various applications.

Secured & redundant MPLS VPN interconnecting various plants, Zonal Offices & Corporate Office have been installed for un-interrupted on-line business applications, data sharing & messaging system amongst various offices of the company.

Company has already setup Video conferencing facility amongst Corporate Office & Plants for conducting video conferencing & knowledge sharing amongst plants & Corp. Office. The facility is also being set up at all the Zonal Offices.

**Statutory Auditors & Statutory Auditors Report**

The Statutory Audit of your Company was conducted by Chartered Accountants firms M/s. HDSG & Associates and M/s. Chandiook & Guliani, Joint Auditors appointed by Comptroller & Auditor General of India (C&AG). Auditors' Report on the Financial Statements including Consolidated Financial Statements of the Company for the financial year 2015-16 is attached.

Comments of C&AG

The Review of Financial Statements including Consolidated Financial Statements for the year ended 31st March, 2016 carried out by the Comptroller and Auditor General of India (C&AG) under Section 143(5) of the Companies Act, 2013 forms part of this report. C&AG has not given any comments.

Cost Audit

As prescribed under Section 148 of the Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014, the cost accounting records are being maintained by all the Units of the Company. Cost Audit for 2014-15 was carried out by Cost Auditors as prescribed under the Companies Act, 2013 and Rules framed thereunder. Consolidated Cost Audit Report for the financial year 2014-15 was filed with MCA on 28.09.2015.

Internal Audit

Your Company has an in-house internal Audit Department, which is headed by General Manager. Company also engages professional agencies to carry out the Internal Audit.

Secretarial Audit

Your Company has appointed M/s. Agarwal S. & Associates as Secretarial Auditors for 2015-16. Secretarial Audit Report for 2015-16 and Management's explanation to Secretarial Auditors' observations are annexed as Annexure-B9 to this Report.

Audit Committee

The detailed disclosures have been made in the Corporate Governance Report.

Nomination & Remuneration Committee and Remuneration Policy

Disclosures regarding Nomination & Remuneration Committee and Remuneration Policy are given in the Corporate Governance report.

Policy for determining Material Subsidiary

The Policy has been uploaded on the website of the Company at www.nationalfertilizers.com.

Board Meetings

The details of Board Meetings and Meetings of Independent Directors are given in the Corporate Governance Report annexed as Annexure to this report.

Extract of Annual Return u/s 92(3) of the Companies Act, 2013

The extract of Annual Return as provided under sub-section (3) of Section 92 in Form MGT-9 is annexed hereto as Annexure-B10.

Financial Accounting

The Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) and in compliance with all applicable accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act.

Sweat Equity

Company has not issued any Sweat equity shares in terms of Rule 8 of Companies (Share Capital and Debentures) Rules, 2014.

Investor Education and Protection Fund

During the year 2015-16, ₹77309 have been transferred to Investor Education and Protection Fund on account of unpaid/unclaimed dividend.

Listing

Company is listed at Nation Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE). As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 Company entered into new Listing Agreement with NSE and BSE. Other disclosures regarding listing regulations have been made in Corporate Governance Report.



Listing Fee

Company has paid requisite listing fee to the stock exchanges during the year 2015-16.

Code of Conduct

Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2016.

Key Managerial Personnel

In compliance with provisions of Section 203 of the Companies Act, 2013, Company has appointed KMPs. The details are as follows:-

Shri Heera Lal Samariya, C&MD remained KMP upto 03.06.2015.

Shri Rajiv Kumar Chandiook, Director (Finance) has been acting as CFO and continuing as KMP

Capt. Pavan Kumar Kaul, Ex-Director (Marketing) remained KMP upto 05.02.2016.

Shri M. Sagar Mathews, Director (Technical) is continuing as KMP.

Shri Manoj Mishra, C&MD who has been appointed KMP w.e.f. 04.07.2015.

Shri Raj Kumar, Company Secretary and Compliance Officer and is continuing as KMP.

Board of Directors

Change in composition

Shri Manoj Mishra (DIN 06408953), has taken over as Chairman & Managing Director of the Company w.e.f. 03.06.2015.

Shri Heera Lal Samariya (DIN 00054859), Jt. Secretary, DoF, ceased to be a Director & Chairman & Managing Director of the Company from 03.06.2015.

Shri Rajiv Yadav (DIN 00322778), Special Secretary and Financial Advisor, DoF, Ministry of Chemicals & Fertilizers, Government of India ceased to be a Director of the Company from 01.09.2015.

Shri Rakesh Kumar (DIN 06940386), Dy. Secretary, DoF, Ministry of Chemicals & Fertilizers, Government of India ceased to be a Director of the Company from 14.02.2016.

Shri Vinod Kumar Thakral (DIN 00402959), Special Secretary & Financial Advisor, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India, was appointed as Additional Directors on the Board of the Company w.e.f. 09.02.2016 and ceased to be a Director on 31.07.2016 consequent upon his superannuation.

Shri Dharam Pal (DIN 02354549), Jt. Secretary, DoF, Ministry of Chemicals & Fertilizers, Government of India, has been appointed as Additional Directors on the Board of the Company on 09.02.2016 and will hold that position upto the ensuing AGM.

Capt. Pavan Kumar Kaul (DIN 03438497), ceased to be a Director of the Company from 05.02.2016 on completion of his tenure of directorship.

Shri Vikram Srivastava (DIN 06541689) and Shri M. Raman (DIN 01226770), Independent Directors ceased to be Directors of the Company from 05.05.2016 on completion of their tenure of directorship.

Smt. Bhavnaben Kardambhai Dave (DIN: 07557056), has been appointed as Part-time Independent Additional Director w.e.f. 01.07.2016 and shall hold office till the ensuing AGM.

Details of tenure of existing directors and those who ceased to be director on the Board during 2015-16 is also provided in the Corporate Governance Report.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Shri Rajiv Kumar Chandiook (DIN: 05146544), Director (Finance) will retire by rotation at the ensuing AGM and being eligible has offered himself for re-appointment. Notice has been received u/s 160 of Companies Act, 2013 for appointment of Shri Dharam Pal and Smt. Bhavnaben Kardambhai Dave as Directors at the ensuing Annual General Meeting.

Brief resume of Directors seeking appointment/reappointment is given as an annexure to Notice of Annual General Meeting.

Declaration by Independent Directors u/s 149(6)

All Independent Directors have given declaration that they meet the criteria of Independence as laid down in Section 149(6) under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.



Re-appointment of Independent Directors

As per Section 149(10) of the Companies Act, 2013, none of the Independent Directors has been reappointed on the Board of Company

Disqualifications of Directors

None of the Directors have committed any disqualification as provided under Section 164 of the Companies Act, 2013.

Performance evaluation of Board and Directors

As per provisions of Section 134(3)(p) of the Companies Act, 2013, every listed company, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors should form part of the Directors' Report.

The Independent Directors in their separate meeting met on 12.01.2016 inter-alia reviewed the performance of the Board as a whole. It is submitted that MCA vide notification dated 5th June, 2015 notified exemptions applicable to Government Companies from the provisions of the Companies Act, 2013 which inter-alia provides that Sub Sections (2), (3) & (4) of Section 178 regarding appointment, performance evaluation and remuneration shall not apply to Directors of the Government Companies.

The appointment of Chairperson, Functional Directors, Part-time Official Directors as well as Part-time non-Official Directors (Independent Directors) on the Board of NFL is made by Government of India (GOI). Further, terms & conditions of appointment as well as tenure of all directors are also decided by GOI and there is a well laid down procedure for evaluation of Chairperson and Functional Directors by Administrative Ministry. Upon request and representations received from CPSEs, the Department of Public Enterprises has also written to Department of Economic Affairs and Securities and Exchange Board of India to align the SEBI (LODR) Regulations, 2015 with the Companies Act, 2013 based on the Exemptions under Companies Act, 2013 as provided to the Government Companies. In view of the above exemption, the performance evaluation of the Chairperson, Functional Directors and Part-time Official Directors was not carried out.

Directors' Responsibility Statement

Pursuant to the requirement of Section 134(3)(c) of the Companies Act, 2013, your Directors confirm that: -

- a) 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;
- b) 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 2015-16 and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 and with applicable powers for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors have prepared the Annual Accounts on a going concern basis.
- e) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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.

Registered Office:

Scope Complex, Core3,
7 Institutional Area, Lodhi Road, New Delhi-110003
Date: 22nd August, 2016

For and on behalf of the Board of Directors

(Manoj Mishra)
Chairman & Managing Director
DIN:06408953