

Board's Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 43rd Annual Report on the business and operations of the Company together with the Audited Financial Statements including Consolidated Audited Financial Statements of the Company for the Financial Year 2016-2017 and the Auditors' Reports and comments on the accounts by the Comptroller & Auditor General of India (C&AG).

During the year 2016-17, Company achieved a turnover of ₹ 7663.22 crore as against ₹ 7793.91 crore achieved during the previous year. The turnover was lower by ₹ 130.69 crore mainly due to fall in gas price to USD 8.04/MMBTU during the year as compared to USD 9.96/MMBTU during Corresponding Period of Last Year (CPLY) i.e. decrease of 19.28%.

During 2016-17, Company has achieved highest Profit Before Tax of ₹ 324.88 crore and Profit After Tax of ₹ 207.33 crore during the previous ten years.

During the financial year 2016-17, the Company has achieved the ever best production of urea (38.10 LMT) with an overall capacity utilization of 118% surpassing the previous best performance of 37.99 LMT during financial year 2015-16. The urea production during 2016-17 includes ever best annual production of 5.68 lakh MT at Bathinda and 10.58 lakh MT at Vijaipur-I corresponding to a capacity utilization of 111.1% and 122.4% respectively.

Further, all the Units of the Company achieved ever lowest energy consumption except marginally higher at Vijaipur-I in 2016-17 due to consistent and optimum operation of the plants.

The energy consumption per MT of Urea at NFL plants during 2016-17 is as follows:

Gcal/MT/Urea

| Units | Pre-set Norms (w.e.f. 1.06.2015) | Actual Energy | |
|-------------|----------------------------------|---------------|---------|
| | | 2016-17 | 2015-16 |
| Nangal | 7.095 | 7.012 | 7.012 |
| Panipat | 7.614 | 7.112 | 7.259 |
| Bathinda | 7.479 | 6.925 | 7.003 |
| Vijaipur I | 5.904 | 5.783 | 5.750 |
| Vijaipur II | 5.569 | 5.364 | 5.410 |

Financial Highlights

Your Company's key financial parameters during the year 2016-17 and important financial highlights are as under:-

₹ Crore

| Particulars | 2016-17 | 2015-16 |
|---|---------|---------|
| Sale of urea in (LMT) | 37.58 | 36.41 |
| Sale quantity of DAP (LMT) | 2.14 | 0.51 |
| Sale of urea (Net of Excise Duty) | 2045.73 | 1983.21 |
| Subsidy on urea | 4721.39 | 5381.20 |
| Net Sales of urea | 6767.12 | 7364.41 |
| Sale of other products including subsidy on imported DAP (Net of Excise Duty) | 896.10 | 429.50 |
| Net Sales | 7663.22 | 7793.91 |
| Other Income | 44.59 | 46.53 |
| Total Income | 7707.81 | 7840.44 |
| Total Expenses | 7108.01 | 7236.94 |
| Earnings Before Interest, Depreciation and Taxes (EBIDTA) | 599.80 | 603.50 |
| Interest | 189.75 | 228.42 |
| Depreciation | 85.17 | 86.66 |
| Profit Before Tax (PBT) | 324.88 | 288.42 |
| Provision for tax | 116.72 | 89.80 |
| Profit After Tax (PAT) (Total Comprehensive Income) | 207.33 | 192.20 |

RESERVES

Capital Reserve

The balance as at 31st March 2017 amounted to ₹ 2.51 crore, which is at the same level as was in the previous year.

Debenture Redemption Reserve

The debenture redemption reserve stood at Nil as on 31.03.2017 as compared to ₹ 10.04 crore as on 31.03.2016. The reduction of ₹ 10.04 crore during the year was on account of redemption of 3rd instalment of non-convertible bonds.

Corporate Social Responsibility Reserve

CSR Reserve stood at ₹ 2.50 crore as on 31.03.2017 as compared to ₹ 4.01 crore on 31.03.2016. The reduction of ₹ 1.51 crore (net) during the year is on account of amount utilized for CSR expenditure.

General Reserve

No amount was transferred during the year to General Reserve from the surplus. Further, an amount of ₹ 10.04 crore was transferred to General Reserve from the Debenture Redemption Reserve. The General Reserve as on 31.03.2017 stood at ₹ 332.89 crore as compared to ₹ 322.85 crore as on 31.03.2016.

Surplus

The balance retained in the surplus as at 31st March 2017 is ₹ 790.83 crore as compared to ₹ 668.56 crore for the previous year. No provision was made for dividend and Dividend Distribution Tax during the year.

Dividend

Board has not recommended payment of dividend for the year 2016-17 considering the various capex requirements in line with the guidelines on Capital Restructuring of CPSEs issued by Department of Investment and Public Asset Management (DIPAM).

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 ₹ 519.12 crore.

BORROWINGS

Long Term Loans

Long term loan as on 31st March, 2017 was ₹ 980.88 crore. The outstanding Rupee Term Loan and External Commercial Borrowings stood at ₹ 769.85 crore, USD 32.15 million respectively.

Short Term Loans

Short Term borrowings of ₹ 3153.73 crore (previous year ₹ 4295.32 crore) as on 31st March, 2017 were outstanding.

Debt Equity Ratio

Debt equity ratio as on 31st March, 2017 has reduced to 2.26:1 as compared to 3.62:1 of previous year due to repayment of long term loans.

State of affairs of the Company

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

Production

During the year, your Company achieved ever highest Urea production of 38.10 LMT with an overall capacity utilization of 118% surpassing the previous best production of 37.99 LMT achieved during 2015-16. The Urea production during 2016-17 included ever best production from Bathinda and Vijapur-I.

Sales Performance

During the year, your Company achieved Urea sale of 37.58 LMT as compared to 36.41 LMT of the previous year, higher by 1.17 LMT (3%). Gross sale value of Urea including subsidy was ₹ 6767.12 crore as compared to ₹ 7364.41 crore of the previous year mainly due to fall in gas price during the year.

The company recorded ever best sale of Nitric Acid of 66783 MT during 2016-17 surpassing previous best of 55195 MT achieved during CPLY. Besides this, 9293 MT of Ammonium Nitrate was also produced and sold during 2016-17 after re-commencement of its production in April, 2016 at Nangal Unit after a gap of around 2 years. The turnover of industrial products increased to ₹ 190.67 crore during 2016-17 as compared to ₹ 145.32 crore during CPLY primarily due Ammonium Nitrate and increase in sale of Nitric Acid.

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

Sale value of traded products during 2016-17 was ₹ 705.43 crore as against ₹ 284.18 crore achieved during CPLY. The higher sale of traded products was mainly on account of higher purchase and sale of 2.14 LMT of imported DAP and Bentonite Sulphur (by ₹ 269.54 crore) as compared to 0.52 LMT. Sale of seeds during the year was ₹ 14.92 crore as against ₹ 16.80 crore achieved during CPLY. The Company also registered a turnover of ₹ 1.09 crore from sale of compost and ₹ 0.5 crore from sale of industrial chemicals during the year.

Agri-Extension Services

NFL is organizing Agriculture Extension Services with the objective to educate farmers on judicious use of fertilizers along with technical knowhow on improved and scientific methods of cultivation, enhancing farmers' knowledge about latest developments in farming sector 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. 36 Dealers'/Retailers' Orientation Programmes were conducted during the year and more than 2500 dealers/retailers were facilitated by upgrading their knowledge regarding fertilizer/Agro products and improved farm practices so that latest information can be disseminated to farmers at point of sale 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. 84 farmer training programmes were organized during 2016-17 and more than 5000 farmers benefited. During these educational programmes, farmers were sensitized towards soil fertility status including deficiency of various nutrients their remedy to increase fertilizer use efficiency and maximize yields.

During the year 2016-17, 87 and 85 demonstrations of Biofertilizers and City Compost respectively, were carried out at farmers field to demonstrate the effect of Bio fertilizers and City Compost on crop growth and yield as compared to farmers' own practices. These demonstrations are being carried out on long term basis.

During the year 2016-17, under the initiative of Government of India Company has opened 100 Kisan Suvidha Kendras (KSKs) at various locations in its marketing territory.

During the year 2016-17, Company has adopted 10 villages (5 each in Haryana and Madhya Pradesh) for promotion of city compost under CSR, 974 MT of city compost was supplied in these villages for conducting the demonstrations on wheat & mustard crops. These demonstrations on long term basis have been laid out in 10 adopted villages followed by Soil Testing, farmer education programmes and field days to educate the farmers on use and advantage of City Compost.

NFL is making all efforts in rendering advisory services to the farmers by conducting Soil testing. It helps to identify problematic soils, their nutritional status, texture and structure thus helps in identification of soil and crop specific solutions. 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 30,000 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 aim to bring stakeholders from all disciplines of Agriculture like farming, livestock, dairy, import and export, poultry and horticulture sectors under one roof and provide 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 2016-17, NFL participated in 51 Krishi Melas/agriculture exhibitions organized by leading agriculture universities, agriculture department in Punjab, Haryana, UP, Uttarakhand, MP and Rajasthan wherein more than one lakh dealers/farmers participated.

During the year 2016-17, under farm forestry programme, 16,790 no. of saplings of fruit and commercially valuable plants like Neem, Eucalyptus etc. were planted nearby farmer fields and in common areas in the adopted villages.

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-1** to this report.

Business Responsibility Report

As required under Regulation 34 of SEBI (LODR) Regulations, 2015, the Business Responsibility Report of the Company for the Financial year ended March 31, 2017 is appended as **Annexure-2** to this report. Business Responsibility Policy is available on the website of the company at www.nationalfertilizers.com.

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 interest of all stakeholders. Pursuant to SEBI (LODR) Regulations, 2015 and DPE Guidelines on Corporate Governance, a report on Corporate Governance forms part of this report as **Annexure-3**.

There are no significant and material orders passed by the regulators or Courts or tribunals impacting the going concern status and Company's operation in future.

The statutory auditors of the Company have examined and certified your Company's compliance with respect to conditions enumerated in SEBI (LODR) Regulations, 2015 (erstwhile Clause 49 of the Listing Agreement) and DPE guidelines on Corporate Governance. Statutory Auditors Certificate on Corporate Governance and explanations of the Management to Statutory Auditors' observations forms part of this report as **Annexure-4**.

The Right to Information Act, 2005

In consonance with the spirit of Right to Information Act, 2005 the Company has created necessary mechanism as required under the Act. The Public Information Officers and the Appellate Authorities are effectively responding to the requests and appeals of the applicants. The names of all PIOs/Appellate Authorities/Transparency Officers are displayed on the Company's website. During the year, 291 applications were received and the information was provided to the applicants within the prescribed time limit.

Vigil Mechanism

Pursuant to the provisions of Sections 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 behavior, 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.

Efforts have been initiated to shift the working of the Vigilance wing of NFL from routine works approach to a proactive, initiative taking approach. The roles and responsibilities and delivery of vigilance officers at CO and in the field have been reviewed for the purpose of improving the quality and focused output.

Quality of scrutiny of contracts and purchase orders needs to improve so as to help in suggesting and effecting required systematic improvements and enforcement in the company. Contracts and Purchase Orders awarded in 2016-17 by Limited Tender Enquiry approach and also through open tenders are being scrutinized to understand the trends and practices vis-à-vis provisions in the Purchase and Marketing manuals so as to suggest and effect improvements in quality of tenders in NFL.

Vigilance Awareness Week was observed during October, 2016 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, Gol 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 the Department of Fertilizers (DoF) for the year 1991-92. The Company had 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 2015-16. Company signed MoU for 2016-17 with DoF on 30.06.2016 which is the 26th year of the Company under MoU system.

Awards & Accolades received during 2016-17

- First prize "National Safety Award for the year 2014" to Panipat Unit from Ministry of Labour & Employment for lowest average accident frequency rate.
- First prize "National Energy Conservation Award-2016" to Panipat Unit in Fertilizer sector from Bureau of Energy Efficiency (BEE), Ministry of Power (Gol).
- "Best Technical Innovation Award -2016" to Vijapur Unit in fertilizer industry from FAI.
- "Environment Protection Award-2016" to Vijapur Unit from FAI.
- "Good Performance Award for Excellence in Cost Management – 2015" to NFL under the category of Public-Manufacturing (Large) Sector from Institute of Cost Accountants of India (ICAI).
- First Prize in the category of Best House Journal for its magazine "VANI" by Standing Conference of Public Enterprises (SCOPE) in a ceremony held.
- Corporate Office, Noida received award (Shield & Certificate) for effective implementation of Official Language from Town Official Language Implementation Committee, Noida.
- National Safety Council of India has announced to award NFL Panipat Unit with Golden trophy- "Sarvashreshtha Suraksha Puraskar for the year 2016."
- 4th "Governance Now PSU Award- 2016" for "Value Growth".

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 ensure that CSR activities are undertaken in a systematic and methodological manner as per the DPE guidelines, Companies Act, 2013 and the Companies (CSR) Rules, 2014. CSR Policy is available on the website of the company at www.nationalfertilizers.com.

During the year 2016-17, the Company incurred an expenditure of ₹ 2.62 crore towards CSR initiatives. Company has undertaken various activities such as construction of toilets, AAS equipment for soil testing, installation of solar lights, cancer awareness, employment enhancing and vocational training programmes, distribution of limbs and aids to persons of special ability, training programme for women in beauty culture & cutting and stitching, etc. A detailed report on the Corporate Social Responsibility is given in the **Annexure-5** 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.

Further, in order to promote research in the field of fertilizers, Department of fertilizers, in assistance with Fertilizers PSUs has set up a research institution viz. Indian Council for Fertilizers and Nutrient Research (ICFNR) which would be exclusively devoted to promotion of research in fertilizers. The office of ICFNR has been housed in the premises of NFL's corporate office at Noida. To start with NFL, RCF and FAGMIL would contribute ₹5 crore towards seed money required for ICFNR.

ICFNR Shall be working on R&D in the areas of fertilizers manufacturing technology, use of raw materials and innovation in fertilizer products through partnership and collaboration with various research institutes, fertilizers industry and other stakeholders.

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

Disclosure in terms of the Companies (Account) Rules, 2014 in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Outgo are given in the **Annexure-6**.

Safety, Environment and Sustainable Development

Company has undertaken various initiatives for adopting best practices for health, safety, environment management and sustainable developments as detailed in the **Annexure-7**.

Particulars of Loans, Guarantees, Security and acquisition under Section 186 of the 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-8** to the Report.

Joint Venture / Associates Companies

Details of Joint Venture / Associates Companies pursuant 129(3) of the Companies Act, 2013 the statement containing the salient features of the financial statement of the associate company/joint venture company is included the consolidated financial statements as **Annexure-9** hereto.

Related Party Disclosures

The particulars of contracts / arrangement 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 on Form No.AOC-2 as **Annexure-10**. Related Party Transactions Policy of the Company is available at www.nationalfertilizers.com.

Risk Management

The Chemicals 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 and 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 analysed 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.

Adequacy of Internal Financial Controls

Details in respect of adequacy of internal financial controls with reference to financial statements are given in Management Discussion & Analysis Report.

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 of Managerial Personnel) Rules, 2014.

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

Public Procurement Policy of 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 subtotal of 4% procurement is to be made from MSEs owned by SC/ST entrepreneurs. This Policy has become mandatory w.e.f.01.04.2015. Requisite information for the year 2016-17 is annexed as Annexure-11 to this report.

Human Resource Management

The Company has a manpower strength of 3517 employees as on 31.3.2017, which comprises of 1659 Executives and 1858 Non-Executives. Company promotes the employment of women and at present 207 women employees are on its roll, which is 5.89% of the total work force. The detailed analysis with regard to human resource including training and executive development programme 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 2016-17.

Internal Complaint Committees have been formed and functioning at Units and Corporate Office, Noida to assess complaints regarding Sexual Harassment at Work place. Training programmes / workshop to bring awareness among employees with regard to sexual harassment at work place, gender sensitization and women empowerment programmes are held in Units/ Offices.

International Women's day was celebrated on 8th March 2017 in all Units and Corporate Office, Noida.

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' 35 Hindi workshops were organized during the year in which 834 employees had actively participated. Hindi Pakhwada was organized in all the Units/Offices of the Company to mark the Rajbhasha Diwas. During the year, 47 Programmes/Competitions were held in order to promote Rajbhasha and 1119 employees participated in them. 36 employees were awarded cash prizes under the 'Cash Incentive Scheme' for doing their official work in Hindi.

During the year 2016-17 Corporate Office, Noida has been awarded with Consolation Prize, Rajbhasha Shield and Citation Certificate by Town Official Language Implementation Committee, Noida for doing excellent work in Hindi. Zonal Office, Chandigarh has been awarded First Prize, Rajbhasha Shield and Citation Certificate by Official Language Implementation Committee, Chandigarh for exceptional 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 and Chief Liaison Officer at CO, Noida 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 Employees Welfare Associations by the Management for redressal of grievances of SC/ST employees. 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 2016-17, 1785 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 Caste / Scheduled Tribes / Other Backward Classes / Persons with disabilities is appended as Annexure-12 to this report.

Information Technology

NFL has always tried to be in line with the latest digital technologies in its day-to-day activities. Almost all the business applications are running in on-line mode. By hosting & implementing web-based Marketing Management & Information System module across the marketing network, company had brought all field level activities like rake receipt/disposal, warehousing, sales & all kinds of accounting activities on digital platform. This has brought in greater transparency in all kinds of marketing and accounting transactions & has cut down the lead time to a great extent thereby reducing delays in closing of accounts.

Company has also adopted initiatives taken by Deptt. of Fertilizers (DoF) for monitoring movement and sales of the fertilizers from fertilizer manufacturer/importers to fertilizer wholesalers and from wholesalers to retailers across the country.

The company has adopted IT in various aspects of its working. The materials department of our organisation has adopted e-procurement and e-tendering for procurement process. The company has also taken initiatives in inculcating e-payments in tendering procedures and has adopted the system of Online test for recruitment wherever the recruitment is based on All India Test.

NFL has also setup Video Conferencing Facility at all its Plants, Zonal Offices & Corporate Office. Thereby we are conducting digital meetings at Plants & with vendors / stake holders which helps in cutting cost and time. It has also been planned to introduce video conferencing based seminars from single point for employees.

In order to have optimum utilization of MPLS VPN bandwidth & ILL bandwidth, Link Load balancers are under installation at all locations of the company. In order to mitigate cyber threats, intrusion prevention & ransom ware attacks UTM based security appliances are already under installation.

Central Data Center of the company is also being upgraded to a Tier-II data center to provide multiple redundancies for 99.98% uptime of business applications.

Statutory Auditors & Statutory Auditors Report

The Statutory Audit of your Company was conducted by Chartered Accountants firms M/s. HDSG & Associates and M/s. Chandio & 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 2016-17 is attached.

Comments of C&AG

The review of Financial Statements including consolidated financial statements for the year ended 31st March, 2017 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 the Companies (Cost Records and Audit) Rules, 2014, the cost accounting records are being maintained by all the Units of the Company. Cost Audit for 2016-17 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 2015-16 was filed with MCA on 26.09.2016.

Internal Audit

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

Secretarial Audit

Your Company has appointed M/s. Agarwal S. & Associates as Secretarial Auditors for the year 2016-17. Secretarial Audit Report for the year 2016-17 and Management's explanation to Secretarial Auditors observations are annexed as Annexure-13 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 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-14.

Financial Accounting

Vide notification dated February 16, 2015, the Ministry of Corporate Affairs notified the Indian Accounting Standards ("Ind AS") to be applicable to certain class of companies including listed companies, for the accounting periods beginning on or after April 1, 2016, with comparatives to be provided for the period ending on March 31, 2016. Ind AS has replaced the existing Indian GAAP prescribed under Section 133 of the Companies Act, 2013. The standalone and consolidated financial statements for the financial year ended March 31, 2017, forming part of this Annual

Report, have been prepared in accordance with Ind AS with a transition date of April 1, 2015. Explanations capturing areas of differences and reconciliations from Indian GAAP to Ind AS have been provided in the notes to accounts to the standalone and consolidated financial statements.

Sweat Equity

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

Disinvestment of GOI Equity

To comply with SEBI norms, disinvestment of 15 % Govt. of India equity was carried out on 26th & 27th July, 2017 through Offer for Sale route thereby reducing GoI shareholding to 74.71%.

Investor Education and Protection Fund

During the year 2016-17, Rs.80,085.00 have been transferred to Investor Education and Protection Fund on account of unpaid/unclaimed dividend on 02.11.2016.

Listing

Company's equity Shares are listed at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). As required under SEBI (LODR) Regulations, 2015. Company has 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 2016-17.

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, 2017.

Key Managerial Personnel (KMP)

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

Shri Manoj Mishra, C&MD is acting as CEO and continuing as KMP.

Shri Rajiv Kumar Chandiok, Director (Finance) is acting as CFO and is continuing as KMP.

Shri Devinder Singh Ahuja, Director (Technical) has been appointed KMP w.e.f 14.02.2017.

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

Shri M Sagar Mathews, Director (Tech.) remained KMP upto 30.12.2016.

Board of Directors

Changes in composition

1. Ms. Bhavnaben Kardambhai Dave (DIN: 07557056) was appointed as Part-time Non-official Independent Director at the 42nd AGM held on 27.09.2016.
2. Shri Kuntal Sensarma (DIN:07626530), Economic Advisor, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India held the office of Government Nominee Director on the Board of the Company from 13.10.2016 to 08.12.2016.
3. Shri M. Sagar Mathews, Director (Technical), National Fertilizers Limited ceased to be Director with effect from 30.12.2016 on being relieved from the services of the Company on attaining the age of superannuation.
4. Ms. Meenakshi Gupta (DIN: 07686646), Additional Secretary & Financial Adviser, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Government of India has been appointed as a Part-time Government Nominee Additional Director with effect from 11.01.2017 and shall hold office till the ensuing AGM.
5. Shri Devinder Singh Ahuja (DIN: 07687173), has assumed the charge as Director (Technical) with effect from 06.02.2017 and shall hold office till the ensuing AGM.
6. Shri Anil Verma (DIN: 02544789), has been appointed as a Part-time Non-official Independent Additional Director on the Board of the Company with effect from 14.02.2017 and shall hold office till the ensuing AGM.
7. Dr. Ramesh Kumar Agarwal (DIN: 00601353) has been appointed as a part-time Non-official Independent Additional Director on the Board of the Company with effect from 14.02.2017 and shall hold office till the ensuing AGM.

8. Shri Gurinderjit Singh Sandhu (DIN: 01790828) Part-time Non-official Independent Director ceased to be Director of the Company w.e.f. 20.02.2017 on completion of his tenure of directorship.
9. Dr. Kalpana Saini (DIN: 07820260) has been appointed as a Part-time Non-official Independent Additional Director on the Board of the Company with effect from 18.05.2017 and shall hold office till the ensuing AGM.

Details of tenure of directors are provided in the Corporate Governance Report.

Re-appointment and appointment of Directors at the AGM

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Shri Dharam Pal, Government Nominee Director 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 the Companies Act, 2013 for appointment of Ms. Meenakshi Gupta, Shri Devinder Singh Ahuja, Shri Anil Verma, Dr. Ramesh Kumar Agarwal and Dr. Kalpana Saini as Directors at the ensuing Annual General Meeting. Brief resume of all directors is placed as **Annexure-15** to the report.

Declaration by Independent Directors u/s 149(6) of the Companies Act 2013

All Independent Directors have given declaration that they meet the criteria of Independence as laid down in Section 149(6) of 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, 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 Board's Report of every listed Company.

However, as per notification dated 5th June, 2015 issued by the Ministry of Corporate Affairs, Government of India, Government Companies are exempted from complying with provisions of Section 134(3)(p) of the Companies Act, 2013. Your Company is a Government Company and the appointment, tenure, performance evaluation, etc. of Directors is done by Government of India, therefore, such particulars have not been included as part of Directors' Report. Remuneration of C&MD, Whole-time Directors and its employees is determined by Government of India.

NFL is a government company where the directors are appointed either by the Government of India or on the recommendation of the Government. The remuneration, etc. of Directors are decided as per DPE Guidelines. The tenure of the directors is also decided by the Government. In compliance of Section 178(1) of the Companies Act, 2013, Company has constituted a Nomination and Remuneration Committee. Section 134(3)(e) requires the Company to disclose the policy on directors' appointment and remuneration including criteria for determining qualification, positive attributes, independence of a director and other matters provided under section 178(3) of the Act. Section 134(3)(p) of the Act read with requires the Company to disclose 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. NFL being a government company, is exempted from the provisions of section 134(3)(e) & (p) and section 178(2) & (3) of the Companies Act. SEBI (LODR) Regulation, 2015.

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 2016-17 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, Internal 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, Core-3,
7 Institutional Area, Lodhi Road,
New Delhi.

Date : 10th August, 2017

For and on behalf of the Board of Directors

(Manoj Mishra)
Chairman & Managing Director
DIN: 06408953