

## Board's Report

To,

**Dear Members,**

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 44<sup>th</sup> 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 2017-18 and the Auditors' Reports and comments on the accounts by the Comptroller & Auditor General of India (C&AG).

During the year 2017-18, Company achieved a turnover of ₹ 8928.29 crore as against ₹ 7643.36 crore achieved during the previous year. The turnover was higher by ₹ 1284.93 crore mainly due to higher sale of urea (by 1.58 LMT) and traded fertilizers (by 1.73 LMT) and rise in gas prices by 20.15%. Company has achieved Profit Before Tax of ₹ 334.83 crore as compared to ₹ 324.88 crore of the previous year.

Energy consumption at all units was within energy norms fixed by GOI under New Urea Policy 2015. Nangal, Panipat and Bathinda Units achieved ever lowest energy consumption during 2017-18.

The energy consumption per MT of Urea at NFL plants during 2017-18 was as follows :

Gcal/MT/Urea

Units	Pre-set Norms (w.e.f. 01.06.2015)	Actual Energy	
		2017-18	2016-17
Nangal	7.095	6.819	7.012
Panipat	7.614	6.761	7.112
Bathinda	7.479	6.859	6.924
Vijaipur I	5.904	5.753	5.784
Vijaipur II	5.569	5.372	5.364

### Financial Highlights

Your Company's key financial parameters during the year 2017-18 and important financial highlights are as under:-

₹ in crore

S. No.	Particulars	2017-18	2016-17
1.	Sale of urea in (LMT)	39.16	37.58
2.	Sale quantity Other Fertilizers (LMT)	3.93	2.20
3.	Sale of urea	2096.60	2026.94
4.	Subsidy on urea	5528.63	4721.39
5.	Total Sales of urea (3+4)	<b>7625.23</b>	<b>6748.33</b>
6.	Sale of other products including subsidy	1303.06	895.03
7.	Sales Turnover (5+6)	<b>8928.29</b>	<b>7643.36</b>
8.	Other Income	96.34	44.59
9.	Total Revenue (7+8)	<b>9024.63</b>	<b>7687.95</b>
10.	Total Expenses	8426.61	7088.06
11.	Earnings Before Interest, Depreciation and Taxes (EBIDTA)	598.02	599.89
12.	Interest	189.89	189.84
13.	Depreciation	73.30	85.17
14.	Profit Before Tax (PBT) (11-12-13)	<b>334.83</b>	<b>324.88</b>
15.	Provision for tax	122.06	116.72
16.	Profit After Tax (PAT) (14-15)	<b>212.77</b>	<b>208.16</b>
17.	Other Comprehensive Income (Net of Tax)	(1.82)	(0.83)
18.	Total Comprehensive Income (16-17)	<b>210.95</b>	<b>207.33</b>

## RESERVES

### Capital Reserve

The balance as at 31<sup>st</sup> March, 2018 amounted to ₹ 2.51 crore, which is at the same level as was in the previous year.

### Corporate Social Responsibility

CSR Reserve stood at ₹ 3.88 crore as on 31.03.2018 as compared to ₹ 2.50 crore on 31.03.2017, an increase of ₹ 1.38 crore is on account of less amount utilized for CSR projects/activities.

### General Reserve

No amount was transferred during the year to General Reserve from the surplus. The General Reserve as on 31.03.2018 stood at ₹ 332.89 crore at same level as was on 31.03.2017.

### Surplus

The balance retained in the surplus as at 31<sup>st</sup> March, 2018 is ₹ 1157.54 crore as compared to ₹ 998.16 crore for the previous year. No provision has been made for dividend and Dividend Distribution Tax during the year.

### Dividend

Board has not recommended payment of dividend for the year 2017-18 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).

## Major events during the year

### State of affairs of the Company and Change in the nature of business

FY 2017-18 has engaged as best ever period in the 44 years history of the Company. Be it best ever production, best ever sales, best ever energy consumption or best ever turnover. The profit is also best ever over previous 15 years. The Company is in its best form these days and ready to push ahead with more vigour to achieve greater heights. Company has recorded ever best urea production of 38.10 lakh MT with a capacity utilization of 117.9% that accounts for 15.9% share in overall urea production in the country, that was the culmination of consistent operation of plants and favourable urea policy of the GOI. Company has also achieved a record sale of 43.09 lakh MT of fertilizers during 2017-18.

The finest financial performance of the Company could be possible through energy efficient operation of the plants and several strategic initiatives undertaken in last two years such as import of fertilizers on large scale, commencement of seeds multiplication programme to produce and sale of certified seeds, trading of new molecules of agro chemicals, seeds and compost under Company's own brand. The Company also commissioned Bentonite Sulphur Plant at Panipat Unit during 2017-18.

Company has steadily transformed from single product to a multi-product Company and is able to provide major agro-inputs through its marketing network. NFL now has a big basket of varied products like Urea, DAP, MoP, APS, NPK, Bio fertilizers, Bentonite Sulphur, City Compost, Seeds, Agro chemicals to offer to farmers under one roof.

### Material changes and commitments

No material changes and commitments have occurred between the date of the Balance Sheet and the date of the Board Report affecting the financial position of the Company.

### Details of revision of Financial Statements or Board's Report

Company has not revised Financial Statements or Board's Report in respect of any of the three preceding financial years.

## General information

### a) Brief history of the Company, overview of the industry and important changes in the industry during the last financial year

Brief history of the Company forms a part of Board Responsibility Report attached to this Report.

Overview of the industry and important changes thereof during the last financial year forms part of Management Discussion & Analysis Report.

### b) Brief description of business segments and geographic segments;

#### Segment Results

In the light of present diversified business activities vis-à-vis IND AS 108 on Segment Reporting following operating segments have been considered for Segment Reporting for the Annual Accounts for the FY 2017-18:

- i) Production and Sale of own Fertilizers (Urea, Bio-fertilizer and Bentonite Sulphur).
- ii) Domestic Trading of Fertilizers (Indigenous and Imported).
- iii) Production and sale / trading of other products (Industrial Products, Agro Chemicals, Certified Seeds and city compost).

#### c) External environment and economic outlook

Details of external environment and economic outlook are given in Management Discussion & Analysis Report.

#### d) Induction of strategic and financial partners during the last financial year

No new strategic and financial partners have been inducted during the last financial year.

#### Capital Structure

##### Preference and Equity Shares

Company has not issued any equity shares or preference shares during the year.

##### Equity Shares with Differential Rights

During the financial year Company has not issued any equity shares with differential rights as to dividend, voting or otherwise.

##### Employees Stock Option

During the financial year Company has not issued any employees stock option.

##### Shares to Trustees for benefit of employees

Company has not introduced any scheme(s) for purchase / subscription of the company's shares to be held by trustees for the benefit of employees.

##### Other securities which carries right of conversion into equity shares

During the financial year, Company has not issued any securities, which carries a right or option to convert such securities into equity shares.

##### Details of Deposits

The Company has not accepted any deposits during the year.

##### Credit Rating

During FY 2017-18, the credit rating of the company was maintained with two credit agencies as under:

	ICRA	India Ratings and Research
Instruments	Credit Rating	Credit Rating
<b>Long Term Fund based working capital facilities:</b>		
Cash Credit	[ICRA] AA (Stable)	IND AA/Stable
Term Loan	[ICRA] AA (Stable)	IND AA/Stable
ECB	[ICRA] AA (Stable)	IND AA/Stable
<b>Short Term Non-fund based working capital facilities:</b>		
LC/BG	[ICRA] A1+	IND A1+
Commercial Paper	[ICRA] A1+	IND A1+

There had not been any change in the Credit Rating of the company during the year.

##### Buy Back of Securities

Company has not introduced Buy-Back of its securities during the year.

##### 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% GoI equity was carried out on 26<sup>th</sup> & 27<sup>th</sup> July, 2017 through Offer for Sale route thereby reducing GOI shareholding to 74.91%.

### Statement of deviation(s) or variation(s)

Company has not offered public issue, rights issue, preferential issue etc. during the year and there is no requirement to submit statement of deviation(s) or variation(s).

### Foreign Exchange Earnings/Outgo

The foreign exchange earnings by way of trade margins during the year were 'NIL'. The foreign exchange outgo by way of imports and other expenses amounted to ₹ 958.60 crore.

### Borrowings

#### Long Term Loans

Long term borrowings as on 31<sup>st</sup> March, 2018 stood at ₹ 170.28 crore. The outstanding Rupee Term Loan was 'NIL' and External Commercial Borrowings (ECBs) stood at USD 26.23 million.

#### Short Term Loans

Short Term borrowings of ₹ 2890.43 crore (previous year ₹ 3153.73 crore) as on 31<sup>st</sup> March, 2018 were outstanding.

### Debt Equity Ratio

Debt equity ratio as on 31<sup>st</sup> March, 2018 has reduced to 1.54:1 as compared to 2.26:1 of previous year due to repayment of long term loans.

### Urea

The Company has achieved the **ever highest Urea production of 3810250 MT** with an overall capacity utilization of 117.9% during 2017-18 against previous best production of 3810054 MT achieved during 2016-17 (CPLY).

On the sales front, the company has achieved **ever best sale of fertilizers of 43.09 LMT** which includes sale of 39.16 LMT of Urea, 3.82 LMT of imported Fertilizers & 0.11 LMT of Compost surpassing previous best of 39.78 LMT during 2016-17 which includes sale of 37.58 LMT of Urea, 2.17 LMT of imported fertilizers & 0.03 LMT of compost.

### Industrial Products

Company registered a record sale of Nitric Acid of 69403 MT during 2017-18 surpassing previous best of 67949 MT during 2016-17. The company also recorded ever best sale of Ammonium Nitrate to the tune of 11299 MT over the last five years surpassing 8969 MT during 2016-17.

In terms of revenue generation from production and sale of Industrial products, the company achieved sale of Industrial Products (IP) comprising of Nitric Acid, Sodium Nitrate & Sodium Nitrite, technical surplus ammonia etc. to the tune of ₹ 164 crore against CPLY of ₹ 188 crore.

### Bio-fertilizers

The company sold 496 MT of Bio-Fertilizers (Solid & Liquid) to the tune of ₹ 1.43 crore as against 545 MT of ₹ 2.39 crore during CPLY.

### Import & sale of Fertilizers

There has been a growth of over 76% in fertilizers import business of the company during 2017-18. The company sold 3.82 LMT of imported fertilizers including DAP, MoP, APS and Complex (NPK) worth ₹ 1102 crore during 2017-18 as against 2.17 LMT of imported fertilizers worth ₹ 659 crore during 2016-17.

Apart from the above, NFL also imported 4.01 LMT of Urea in government account from Iran during 2017-18 as State Trading Enterprise (STE).

### Domestic Trading of Agro Products

The company has earned a total revenue of ₹ 26.92 crore from the trading of various agro products such as seeds, pesticides & compost during the year against ₹ 16.51 crore during CPLY.

## Sale Composition

Item	% of total revenue		% Increase / (Decrease)
	2017-18	2016-17	
Urea	85	88	(3.41)
Non-Urea	15	12	25

Owing to shift in strategy of the company, the business composition of the company has undergone visible change. Urea (main product) contribution of 95% in the overall revenue of the company during 2015-16, has reduced to 85% while contribution of non-Urea business has increased to 15% during 2017-18.

## Agriculture Extension Activities

Agriculture is the main source of livelihood for the farmers, which include crops, animals and allied activities. Agriculture Extension Activities are being undertaken by your Company by educating farmers on efficient use of all agro-inputs along with total know-how on improved and scientific methods of cultivation.

Dealers/Retailers are important link between the Company and the farmers. They are key change agents in motivating farmers to use fertilizers in a balanced manner. During the year 2017-18, 58 Dealer's/Retailer's Orientation Programmes were conducted and more than 5000 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. Information on Bio-fertilizers and City Compost has also been given in each and every training programme.

Your Company has always laid emphasis on upliftment of farming community by educating them on various aspects of crop production, animal husbandry and other allied agriculture sectors. 57 Farmer Training programmes were organized during 2017-18 and more than 3500 farmers got benefited. Through 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. The farmers have also been educated on benefits of long term usage of Bio-fertilizers and City Compost through these programmes.

Agriculture Universities, Research Stations, Krishi Vigyan Kendras (KVKs) are the knowledge centers for latest farming techniques, new and high yielding crop varieties, innovative technologies in agriculture and allied agriculture sectors etc. During the year, an opportunity was given to the farmers to practically visit the above places by organizing farmers visit to nearby Agriculture University/Research Station/ KVK. More than 500 farmers got benefitted through 8 programmes during the year 2017-18.

During the year, 2017-18, 89 and 85 demonstrations had been laid out at farmers' fields to demonstrate long term benefits of use of Bio-fertilizers and City Compost, respectively on crop growth and yield as compared to farmer's own practices. The demonstrations are being continued on the same locations and the same pattern during the year 2018-19 so that long term benefits of use of Bio-fertilizers and City Compost can be shown to the farmers.

Your Company is playing a vital role in supporting farmers by undertaking soil analysis for macro and micro nutrients through its 6 Static and 4 Mobile Soil Testing Labs (MSTLs) in various states. 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 26,000 soil samples were collected analyzed for macro and micro nutrients and recommendations were given to the farmers. To strengthen the soil testing services, Company has plans to purchase 05 new Mobile Soil Testing Labs for the States of UP, MP, Haryana and Telangana.

During the year 2017-18, your Company continued its endeavour to render soil testing services at the farmers' doorstep by organizing soil testing campaigns. During these campaigns, services of our Mobile Soil Testing Vans and laboratory staff were suitably utilized for collecting soil samples by demonstrating the correct method of sampling to the farmers and by offering on the spot soil analysis and advisory on the basis of soil test results. 26 such campaigns were organized in the States of Punjab, Haryana, Rajasthan, HP, J&K, UP, Bihar and Jharkhand and more than 19000 farmers got benefitted by these programmes.

Agricultural Exhibitions and Krishi Melas aim to bring stake holders 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 a very effective way to communicate directly with the farmers and also to interact with the scientists and experts from various agricultural fields. During the year 2017-18, your Company participated in 36 Krishi Melas/Agriculture Exhibitions organized by leading Agriculture Universities, Agriculture Departments etc. in the States of Punjab, Haryana, UP, Uttarakhand, Bihar, MP, Rajasthan and J&K.

As per guidelines of Department of Fertilizers (DoF) and with the objective to provide all the agricultural inputs and services to the farmers under one roof along with soil testing and advisory services, 100 Kisan Suvidha Kendras (KSKs) were opened by your Company all across its marketing territory. Through these KSKs more than 10 thousand soil samples were collected, analyzed through Company's Static and Mobile Soil Testing Labs and reports were given to the farmers. More than 80000 leaflets on NFL products and various crops were also distributed to farmers through programmes organized in these KSKs.

## 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<sup>st</sup>, 2018 is appended as **Annexure -2** to this Report. Business Responsibility Policy is available on the website of the company at [www.nationalfertilizers.com](http://www.nationalfertilizers.com).

## Stakeholders' relationship:

Details of stakeholders' relationship are given in the Business Responsibility Report annexed to this report.

## Customers' relationship:

Details of customer relationship are given in the Business Responsibility Report annexed 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 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**.

The statutory auditors of the Company have examined and certified 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**.

## Visits of Parliamentary Committees during 2017-18

The following Parliamentary Committees visited and interacted with the Company during the year 2017-18:

- 1) Study visit of Parliamentary Committee on welfare of SC & ST in Mangalore on 17-05-2017.
- 2) Meeting of Consultative committee of Members of Parliament attached to the Ministry of Chemicals & Fertilizers (C&F) regarding Nutrients Based Subsidy Scheme and its impact at Parliament House Annexe, New Delhi on 17-05-2017.
- 3) Study visit of the Parliamentary Standing Committee on C&F regarding implementation of NUP-2015 in Manali on 10-06-2017.
- 4) Study visit of the Parliamentary Standing Committee on C&F regarding policy on Uniform Freight Subsidy in Shimla on 13-06-2017.
- 5) Study visit of the Committee on Subordinate Legislation on Development & Promotion of Clean Technology and Waste Reduction in Lucknow on 01-09-2017.
- 6) Study visit of the Committee on Paper Laid on the Table (COPLLOT), Rajya Sabha on laying of Annual Reports & Audited Accounts in Shirdi on 13-09-2017.
- 7) Meeting of the Standing Committee on C&F on Freight Subsidy Policy at Parliament House Annexe, New Delhi on 25-10-2017.
- 8) Meeting of the Standing Committee on C&F on Examination of Demand of Grants for the year 2018-19 (Demands of Fertilizers) at Parliament House Annexe, on 22-02-2018

## Material Orders of Regulators

Nitric Acid Plant at Nangal was commissioned in 1961, which is based on old technology. For reduction of NO<sub>x</sub> emissions, Company has already installed NO<sub>x</sub> abatement plant in 1994. With installation of NO<sub>x</sub> abatement plant in 1994, NO<sub>x</sub> emissions have been significantly reduced to around 500-600 mg/Nm<sup>3</sup>.

MoEF&CC vide Notification dated 29.12.2017 regarding Prescribed Values amendment in the Environment (Protection) Act, 1986, emission standards (Oxides of Nitrogen as NO<sub>2</sub>) for Nitric Acid Plant has been reduced to 400 mg/Nm<sup>3</sup> from earlier limit of 1820 mg/Nm<sup>3</sup>. Action has been initiated to implement necessary modification in the plants to meet the new emission norms.

## The Right to Information

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 Appellate Authorities are effectively responding to the requests and appeals of the applicants. The names of all PIOs / Appellate Authorities/Nodal Officer/ Transparency Officer are displayed on the Company's website. During the year, 431 applications were received and the information was provided to the applicants within the prescribed time frame of 30 days.

## 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 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. Whistle Blower Policy is available on the website of the company at [www.nationalfertilizers.com](http://www.nationalfertilizers.com).

## 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 (IEMs), as approved by CVC. Structured Meetings are being held with IEMs on regular intervals and threshold value is ₹ 1 crore for signing of Integrity Pact for purchase/works contracts

## 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.

Efforts have been made during 2017-18 to fulfil the pending compliances regarding earlier reported cases of irregularities in NFL and to pursue these cases towards logical conclusion.

Periodic vigilance reports, Agreed list of officers, List of officers of doubtful integrity, observance of Vigilance Week in Units, Zonal offices and Corporate Office have been complied with. Enforcement of transfer policy for rotation of officers on key and sensitive positions has been taken up with the Management. Vigilance scrutiny has been taken up for work orders and Purchase orders awarded by various departments in the four units and corporate office. Scrutiny is still in progress in certain cases.

The working of the Vigilance Wing of NFL is being changed from routine works approach to a proactive and focussed 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 monthly output.

During the year 2017-18, three vigilance cases were disposed-off and there were four pending cases as on 31.03.2018. The pending cases relate to alleged irregularities in appointment of dealers, acceptance of sub-standard HDPE bags, execution of annual rate contract for electrical, maintenance at Panipat, etc.

### MoU

The Department of Public Enterprises, GoI 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” consistently 12 times in a row from 2000-01 to 2011-12.

Based on financial performance and achievement of other parameters laid down, your Company is likely to be rated “Excellent” as per the Memorandum of Understanding (MoU), signed with the Government of India for the financial year 2017-18. Company signed MoU for 2018-19 with DoF on 04.06.2018 which is the 28<sup>th</sup> year of the Company under MoU system.

### Awards & Accolades received during 2017-18

1. “Golden Trophy-Sarvashreshtha Suraksha Puraskar” to Panipat Unit from National Safety Council (NSC), Mumbai for the year 2016 on 20-04-2017.
2. “Golden Peacock Award for Energy Efficiency” to Panipat Unit from Institute of Directors (IOD) during 19<sup>th</sup> World Congress on Environment Management at Hyderabad on 07-07-2017.
3. “Raj Bhasha Shield 2016-17 for Best Office” to Bathinda Unit from “Nagar Raj Bhasha Karyanvayan Samiti” Bathinda.
4. First prize (Shield) for outstanding work in Official Language to NFL, Corporate Office, Noida.
5. National Safety Award “First Prize” and “Second Prize” to Panipat Unit from Ministry of Labour & Employment, GoI for the year 2015 in the category of Chemicals & Chemical factories for Minimum average recurrence rate and accident free year 2015.
6. “Greentech Safety Silver award 2017” to Vijapur Unit from Greentech foundation, New Delhi, in a function held in Goa on 14-15 December 2017.
7. “FAI Technical Innovation award-2017, Runner up trophy” to Vijapur Unit. This is the fourth consecutive year, Vijapur Unit received this award (Once winner & three times runner up).
8. “National Energy Conservation Award 2017 (First prize) in fertilizer sector” to Panipat Unit for the third time (second time in a row) from Bureau of Energy Efficiency (BEE) under the Ministry of Power, Govt. of India. Panipat Unit also won award for “Highest achiever in energy savings” in PAT cycle-I.
9. “CA distinguished Achiever Award” to Shri Rajiv Kumar Chandio, Director (Finance) for his exceptional performance and achievements in the area of Financial Management in NFL.
10. “Governance Now PSU award” to NFL for Pivotal Role in Nation Building.
11. First prize by Punjab State Safety council for the year 2016 to Bathinda Unit for largest reduction in accident frequency Rate in Chemical Industry for more than 5 Lakh man-hours.
12. Second prize by Punjab State Safety council for the year 2017 to Bathinda Unit for largest reduction in accident frequency Rate in Chemical Industry for more than 5 Lakh man-hours.
13. “Visionary Leadership” award to Shri Manoj Mishra, C&MD, by FORE Top Ranker for his visionary leadership provided to NFL that resulted in best ever results of the company in 2016-17.

### Initiatives under Corporate Social Responsibility

The company is implementing various developmental activities under its Corporate Social Responsibility (CSR). The company has undertaken various projects in the areas of healthcare, Skill Development Training, sanitation, environment, education etc. During the year 2017-18, the company has spent ₹ 2.97 crore on CSR activities.

In the year, company also undertook a distinguished project of sponsoring para players through Paralympic Committee of Delhi (PCD). Under this programme, 15 para sportspersons were sponsored for one year which included coaching, kit, travel and diet for these players. The project has



already started yielding favourable results as two of the sponsored NFL's players Usman Devan & Ram Kumar made India proud by winning Gold medals in athletics in Asian Youth Para Games held at Dubai in 2017. Another para player Deepender Singh has won silver medal in 50 Mtrs. Backstroke and Bronze Medal in 50 Mtrs. Freestyle under National Para Swimming Championship 2017.

Company's CSR programmes also included construction of conventional toilets and Bio-Toilets in government schools, installation of Solar roof top panels in schools, installation of solar lights in many districts, cancer awareness & screening camps, water harvesting, soil management and training programmes in stitching, tailoring, mobile repairing etc.

An Impact Assessment Study of CSR projects undertaken during the last three years from 2014-15 to 2016-17 has been conducted by M/s Human Development Society. As per report, Company has successfully undertaken CSR projects to attain the desired outcome which had supported beneficiaries to lead a quality life. A detailed report on the Corporate Social Responsibility is given in the **Annexure-5** to the report.

## Research and Development

### Development of Urea Ammonium Nitrate (UAN) application system for enhancement of nutrient use efficiency under S&T project

NFL in association with Indian Agricultural Research Institute (IARI) undertook R&D project for development of applicator for UAN application. Design of UAN applicator for Basal, Foliar and Fertigation system had been developed by IARI. Field trials conducted on Paddy crop, Wheat crop and Vegetables were successful. Last trial for paddy crop had been conducted in June – Nov, 2017. For undertaking last wheat crop trial wheat sowing has been completed in the month of Dec, 2017. Draft report has been received from IARI in July, 2018 and final report will be received by August, 2018. Total cost of the R&D project is ₹ 89.66 lakh.

### Cow dung processing and its conversion bio- fortified fertilizer with enhanced functionality – A Pilot Study

ICAR-National dairy Research institute (NDRI), Southern Regional Station, Bengaluru, in March, 2018 have submitted a research project proposal titled "Cow dung processing and its conversion to bio- fortified fertilizer with enhanced functionality. Pilot Study will evaluate conversion & bio-fortification of cow dung for production of quality bio-fertilizer and optimize conversion process of bio-fertilizer to a suitable form for longer storage and distribution.

Company has accorded approval for sponsoring the Pilot Study at ICAR – NDRI, southern regional station, Bengaluru for project titled "Cow dung processing" and its conversion to bio- fortified fertilizer with enhanced functionality" with budget estimates of ₹ 129.74 Lakh spread over a period of three years

The benefits envisaged from this Pilot Study include (a) Bio-fertilizer with enhanced nutrient quality as an alternative to chemical fertilizer (b) The Biological manure shall help rejuvenate the soil health (c) Collateral benefits in the form of Environmental protection, savings on subsidy and sustainable agriculture (d) Dairy farmers to get better value for animal by-product thereby augmenting their income.

### 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.

### Companies which have become or ceased to be subsidiaries, associates and joint Ventures

During the year 2017-18, Company has not acquired or formed any new subsidiary, associate or joint venture. Similarly no subsidiary, associate or joint ventures have been ceased by way of sale of shares, amalgamation, winding up etc.

## 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](http://www.nationalfertilizers.com).

## Capital Expenditure (CAPEX)

The achievement in CAPEX is ₹ 327 crore in the year 2017-18.

## Risk Management

NFL is a chemical fertilizer industry that 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. Company recognizes the importance of Risk Management and has a well-defined Risk Management Policy in place.

To mitigate various risks identified under Company's comprehensive Risk Management Policy, a periodical review of the risks, procedures and strategies is undertaken on quarterly basis. Risks are analyzed at the highest level by a Board level Audit Committee and efforts are made in planned manner to obviate the risks either fully or to minimize their impact.

## 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 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 be made from MSEs owned by SC/ST entrepreneurs. The requisite information for the year 2017-18 is annexed as **Annexure-11** to this report.

## Human Resource Management

The Company has a manpower strength of 3430 employees as on 31.03.2018, which comprises of 1684 Executives and 1746 Non-Executives. Company promotes the employment of women and at present 200 women employees are on its roll, which is 5.83% of the total work force.

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

Policy on Prevention, Prohibition and Redressal of Sexual harassment of women at work place is in line with the requirements of the Sexual Harassment of women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. The internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

One complaint of sexual harassment was received in the year 2017-18 and the same has been disposed off. As on the date of this Report, no complaint is pending for disposal.

Four programmes with regard to gender sensitization and prevention of sexual harassment of women at workplace were organized at the Units and Corporate Office.

To make the woman employees aware of their rights, International Women's day was celebrated on 8<sup>th</sup> March, 2018 in all Units and Corporate Office, Noida. Various programmes on the occasion were organized at Units & Head Office.

## Implementation of Official Language Policy

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' 32 Hindi workshops were organized during the year in which 776 employees have actively participated. Hindi Pakhwada was organized in all the Units/Offices of the Company to mark the Rajbhasha Diwas. During the year, 61 Programmes/Competitions were held in order to promote Hindi and 1282 employees participated in them. 77 employees were awarded cash prizes under the 'Cash Incentive Scheme' for doing their official work in Hindi.

During the year 2017-18 Corporate Office, NOIDA has been awarded Third Prize, Rajbhasha Shield by Official Language Advisory Committee 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 functional in all Units / Offices of the Company to oversee the implementation of Presidential Directives on Reservation Policy for SCs/STs. Liaison Officer 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 2017-18, 3262 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

Company realized the importance of Information Technology right at the beginning of Digital revolution and has been evolving to adopt the technology in all the spheres of working. Constant adoption of IT in its working has facilitated different business processes in the Company.

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. All other business applications have also been implemented in on-line mode.

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. Recently as per DoF's directive, company has procured POS (Point of Sale) machines for retailers & successfully deployed them. Several training programmes for retailers were organized in association with state agriculture departments for implementing POS machines and for starting system of retail sale to farmers through AADHAR authentication on these POS machines. This has brought fertilizer retailers & farmer community on the digital platform. This initiative would certainly facilitate Government's vision of DBT (Direct benefit transfer) to farmer.

In order to achieve the vision of Digital India / Digital Payments India, a series of training programme were organized throughout various Units/ Offices of the company to familiarize and educate the employees, contract workers etc. with the concept of digital payments and demonstration were also given on usage of various payment apps and wallets. In addition, company has also encouraged digital payments at various shops in its townships and has undertaken steps to ensure that POS is installed in the shops, guest house & hospital of townships. At the company level all payments are being released / received through digital means. The company had already adopted e-procurement and e-tendering for procurement process. The company has also taken initiatives in inculcating e-payments in tendering procedures.

NFL had also implemented e-meetings software for paperless board meetings & Audit committee meetings whereby board agendas & relevant information is available to board of directors on their portable devices in digital form.

Company has state of the art Video Conferencing at all its Plants, Zonal Offices & Corporate Office. In order to have optimum utilization of WAN links & Internet leased lines, Link Load balancers are provided at all locations of the company. In order to mitigate cyber threats, intrusion prevention & ransom ware attacks UTM based security appliances are installed. Company has also revamped its data centre to provide multiple redundancies to maximize uptime of business applications.

## AUDITORS

### Statutory Auditors

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 2017-18 is attached.

Statutory Audit Fee for the financial year 2018-19 is proposed at ₹ 25 Lakh plus GST and reimbursement of actual TA and out of pocket expenses.

### Explanation in response to Auditor's Qualification

Statutory Auditors of the Company have issued an Audit Report with Unmodified opinion on Audited Financial Results of the Company (Standalone & Consolidated) for the quarter and year ended 31<sup>st</sup> March, 2018.

### Comments of C&AG

The review of Financial Statements including consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2018 had been carried out by the

Comptroller and Auditor General of India (C&AG) under Section 143(5) of the Companies Act, 2013. Review of C&AG and Management Replies to C&AG comments forms part of this report.

### Cost Auditors

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 2017-18 was carried out by Cost Auditors M/s. K.G. Goyal & Associates, M/s. K.L. Jaisingh & Co., M/s. Subhadra Dutta & Associates & M/s. Ravi Sahni & Co. as prescribed under the Companies Act, 2013 and Rules framed thereunder. M/s. Ravi Sahni & Co. acted as the Lead Cost Auditor. Consolidated Cost Audit Report for the financial year 2016-17 was filed with MCA on 25.10.2017.

### Internal Auditors

Company has an internal Audit Department headed by Executive Director. To carry out Non-Technical Audit, your Company has appointed eight Chartered Accountant firms: M/s. K K Soni & Co., M/s. Ajay Chawla & Associates, M/s. G. Deep & Co., M/s. Aaryaa & Associates, M/s. S. P. Chopra & Co., M/s. S. Goyal & Associates, M/s. Thakur Vaidyanath Aiyar & Co. and M/s. S. Tandon & Associates. Technical Audit was carried out in-House.

### Secretarial Auditors

Tenure of M/s Agarwal S. & Associates, Practicing Company Secretaries was extended for undertaking Secretarial Audit for the year 2017-18 in terms of Section 204 of Companies Act, 2013 and Rules made there under. Secretarial Audit Report for the year 2017-18 and Management's explanation to Secretarial Auditor's observations are annexed as **Annexure-13** to this Report.

### Compliance with Secretarial Standards

The Company complies with all applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

### 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.

### Stakeholders Relationship Committee

Disclosures regarding Stakeholders Relationship Committee and Remuneration Policy are given in the Corporate Governance report.

### Corporate Social Responsibility and Sustainable Development Committee

Disclosures regarding Corporate Social Responsibility Sustainable Development Committee are given in the Corporate Governance report.

### Company's policy on Director's appointment and remuneration

Ministry of Corporate Affairs has granted exemption vide notification No. GSR463(E) dated 05.06.2015 to the Government Companies from the provisions of Section 134(3)(p) of the Companies Act, 2013. Director's appointment and remuneration is decided by the government. Keeping in view the exemption, no Remuneration Policy has been formulated.

### Board & Committee Meetings

The details of Board Meetings, Committee 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**.

### Investor Education and Protection Fund

The Company has complied with all the provisions relating to the Investor Education and Protection Fund (IEPF) under the Companies Act, 2013 and The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, made there under. Company Secretary is the Nodal Officer to deal with IEPF Authority and compliances related thereto.

During the year 2017-18, ₹ 97,258.00 have been transferred to Investor Education and Protection Fund on account of unpaid/unclaimed dividend on 31.10.2017. Further, pursuant to Section 124(6) of the Companies Act, 2013 and Rules notified thereunder, Company has transferred 11,887 shares, against which dividend remained unclaimed/unpaid for consecutive period of seven years, to the demat account of IEPF. The details of the dividend and shares transferred to IEPF Account are available at the website of the Company [www.nationalfertilizers.com](http://www.nationalfertilizers.com).

## 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 2017-18.

## Service to Shareholders

All matters relating to transfer/transmission of shares, issue of duplicate share certificates, payment of dividend, de-materialization and re-materialization of shares and redressal of investors grievances are carried out by the Company's RTA i.e. M/s. MAS Services Limited, New Delhi.

## Code of Conduct

Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31<sup>st</sup> March, 2018. Code of Conduct has been uploaded on the website of the Company at [www.nationalfertilizers.com](http://www.nationalfertilizers.com).

## Corporate Policies & Codes

Details regarding corporate policies & codes are given in the Corporate Governance Report and also available on the website of the Company at [www.nationalfertilizers.com](http://www.nationalfertilizers.com).

## Disclosure pursuant to FEMA Regulation

FEMA Regulations applicable to Companies owned or controlled by non-resident entity(s) are not applicable to NFL.

## Key Business Development

Details of key Business Development of the Company are given in the Management Discussion & Analysis Report annexed to this report.

## Disclosure regarding frauds

No fraud has been reported by the Auditor to the Audit Committee or to the Board, during the financial year 2017-18.

## Details of the sickness of the Company

Not applicable

## Implementation of Goods and Services Tax (GST)

As per the Govt. of India notification on GST law, the Company has migrated to Goods and Services Tax with effect from 1<sup>st</sup> July, 2017.

## Management

### Key Managerial Personnel (KMP)

In compliance with provisions of Section 203 of the Companies Act, 2013, Board of Directors have appointed the following Key Managerial Personnel (KMP) :-

Shri Manoj Mishra, Chairman and Managing Director.

Shri Rajiv Kumar Chandiook, Director (Finance) and Chief Financial Officer.

Shri Devinder Singh Ahuja, Director (Technical).

Shri Raj Kumar, Company Secretary.

## Board of Directors

### Changes in Composition

There has been no change in the Composition of Directors since last AGM. Details of tenure of directors are provided in the Corporate Governance Report.

### Re-appointment of Directors at the AGM

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Shri Rajiv Kumar Chandiook Director (Finance) and Ms. Meenakshi Gupta, Part-time Government Nominee Director will retire by rotation at the ensuing AGM and being eligible have offered themselves for re-appointment.

### 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 the Company.

### Disqualifications of Directors

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

### Remuneration to Directors

Details of Remuneration to Directors and Company Secretary are given in the Corporate Governance Report annexed to this Report.

### Performance evaluation of Board and Directors

The Details regarding performance evaluation of Board of Director have been given in the Corporate Governance Report.

### 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 there from 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 2017-18 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, Secretarial 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. Board also place on record active support and cooperation received from Employees Trade Union and Officers Association for sustained improvements.

### Registered Office:

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

Date : 3<sup>rd</sup> August, 2018

For and on behalf of the Board of Directors

(Manoj Mishra)  
Chairman & Managing Director  
DIN: 06408953