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NATIONAL FERTILIZERS LIMITED

38th Annual Report

Our Mission

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

Contents

Management Team	03
Board of Directors	04
Performance at a Glance	05
Directors' Report	06
Management Discussion & Analysis Report	15
Balance Sheet	25
Statement of Profit & Loss	26
Cash Flow Statement	27
Notes to Financial Statements	28
Auditors' Report	58
Comments of C&AG	61
Corporate Governance Report	64
Directors' Profile	79
Certificate of Auditors on Corporate Governance	81
Particulars with respect to conservation of Energy & Technology Absorption	82
Report on Sustainable Development	85
Report on Corporate Social Responsibility	87
Information of persons belonging to SCs/STs/OBCs/PHs	90
Notice of Annual General Meeting	91
Forms of ECS, Proxy, Attendance Slip, etc.	97

Management Team

BOARD LEVEL

Sham Lal Goyal

Chairman & Managing Director

Neeru Abrol

Director (Finance)

Rajesh Kumar Aggarwal

Director (Technical)

Capt. Pavan Kumar Kaul

Director (Marketing)

CORPORATE HEADS

Vigilance

Finance & Accounts

Materials Management

Projects

Technical

Human Resource & Public Relations

Marketing

Management Services

Company Secretariat & Legal

Internal Audit

Ajoy Kumar

Rakesh Sahai

Rajiv Johri

B. P. Kumar

Devendra Kumar

S.K. Ghai

N. R. Satyapalan

A.K. Asija

J. M. Kapoor

Tek Chand

S. L. Basran

Chief Vigilance Officer

Executive Director

Chief General Manager

Chief General Manager

Chief General Manager

General Manager

General Manager

General Manager

General Manager

Company Secretary

Dy. General Manager

UNIT HEADS

Nangal

Panipat

Bathinda

Vijaipur I & II

B. G. Singh

R. K. Bhatia

K. B. Verma

S. M. H. Rizvi

General Manager I/c

Executive Director

Executive Director

Executive Director

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Patiala

Bank of India

Punjab National Bank

Union Bank of India

Oriental Bank of Commerce

AUDITORS

Thakur, Vaidyanath Aiyar & Co.

Chartered Accountants,

New Delhi

DSP & Associates,

Chartered Accountants,

New Delhi

REGISTRAR & TRANSFER AGENTS

Mas Services Limited,

T-34, IInd Floor,

Okhla Industrial Area-II,

New Delhi - 110020

Board of Directors

Shri Sham Lal Goyal	Chairman & Managing Director
Ms. Neeru Abrol	Director (Finance)
Shri. R. K. Aggarwal	Director (Technical)
Capt. Pavan Kumar Kaul	Director (Marketing)
Shri Satish Chandra	Director
Shri S.C. Gupta	Director
Shri. Munikoti Niranjana Rao	Director

Performance at a Glance

Financial Highlights

(₹ in crore)

Particulars	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Sales (Gross)	1978	1886	1704	1697	1640	1664	1647	1745	1749	1608
Subsidy	5363	3918	3396	3444	2518	2217	1957	1748	1657	2060
Turnover (Gross)(incl. Subsidy)	7341	5804	5100	5141	4158	3881	3604	3493	3406	3668
Earnings before depreciation, interest and tax (EBDITA)	342	302	365	293	262	387	312	357	329	688
Interest and Finance Charges	67	9	11	41	17	17	8	22	34	72
Depreciation	91	89	94	96	89	106	125	120	176	168
Profit before Tax	184	204	260	156	156	264	179	215	119	448
Profit after Tax	127	139	172	97	109	176	116	161	85	286
Gross Fixed assets	2958	2930	2924	2906	2925	2903	2897	2862	2846	2839
Net Fixed Assets	550	599	666	734	809	871	963	1050	1153	1322
Current Assets, Loans & Advances	3206	2244	2082	1524	1443	1693	1272	1007	1147	1476
Current Liabilities & Provisions	1600	998	794	885	816	692	553	601	372	746
Working Capital	1606	1246	1288	639	627	1001	719	406	775	730
Borrowings	2985	613	403	265	525	327	227	60	618	754
Net Worth	1754	1672	1582	1471	1408	1371	1256	1186	1080	1027
Capital Employed (Net Fixed Assets + Working Capital)	2156	1845	1954	1373	1436	1872	1682	1456	1928	2052
Production (Urea) (Lakh MT)	34.01	33.80	33.30	33.44	32.68	33.51	33.44	34.32	32.50	32.12
Capacity Utilisation (Urea) (%)	105.3	104.6	103.1	103.5	101.1	103.7	103.5	106.2	100.6	99.4
Sales (Urea) (Lakh MT)	33.89	33.59	33.78	33.77	32.38	33.54	33.63	34.73	33.87	32.89
Employees (Nos.)	4515	4699	4760	4868	4910	4736	4862	4853	4940	5404

Key Indicators

EBDITA/ Turnover (%)	4.66	5.20	7.17	5.71	6.33	10.01	8.69	10.28	9.71	18.83
Return on Net Worth (%)	7.24	8.31	10.87	6.59	7.74	12.84	9.24	13.58	7.87	27.85
Return on Capital Employed (%)	5.88	7.51	8.78	7.10	7.56	9.41	6.92	11.06	4.41	13.95
Earning per Share of ₹10 (₹)	2.58	2.82	3.50	1.99	2.21	3.59	2.37	3.28	1.73	5.84
Debt/Equity	1.70 : 1	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1	0.74 : 1
Current Ratio	2.00 : 1	2.25 : 1	2.62 : 1	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1	1.98 : 1
Value Added per Employee (₹ in Lakhs)	26	23	23	20	19	19	17	18	17	24
Dividend (₹ in Crores)	38.27	41.70	51.51	29.43	32.60	52.83	40.74	48.27	25.51	300.00
Dividend as % of Equity	7.80	8.50	10.50	6.00	6.65	10.77	8.30	9.84	5.20	61.15

Directors' Report

To,

Dear Members,

On behalf of the Board of Directors of your Company, I have the pleasure in presenting the 38th Annual Report on the business and operations of the Company together with the Audited Financial Statements for the Financial Year 2011-2012.

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

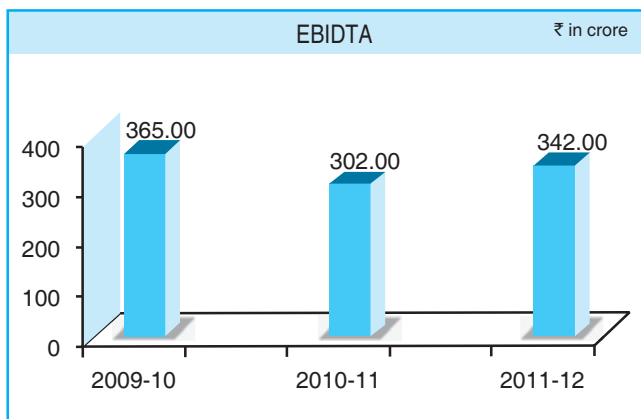
Presently, the Company has five urea production plants, one each at Panipat, Bathinda and Nangal and two plants at Vijapur with a total installed capacity of 32.31 lakh tonnes and has grown to the status of being the second largest producer of urea in the country. Your Company has undertaken revamp of fuel-oil based plants at Nangal, Bathinda and Panipat for changeover of feedstock from Fuel-oil to Natural Gas, which on scheduled completion during 2012-2013 will reduce the cost of production and the subsidy outgo from the GoI substantially. This would also contribute to clean environment. The revamp projects undertaken at Vijapur-I & II would reduce energy consumption and augment the installed production capacity of the Company by 10.4% to 35.68 lakh tonnes.

FINANCIAL HIGHLIGHTS

During the year under review, your Company achieved a turnover of ₹7341 crore (including subsidy of ₹5363 crore) as compared to ₹5804 crore (including subsidy of ₹3918 crore) in the previous year, registering an increase of 26%. The increase in turnover is due to higher sales of urea and industrial products and increase in subsidy due to escalation in prices of inputs i.e. petroleum products and natural gas.

The earnings before interest, depreciation and tax (EBIDTA) at ₹342 crore was higher than ₹302 crore achieved in previous year inspite of higher salaries and wages, repairs & maintenance, etc. mainly due to higher production/sale of urea and industrial products. The profit

before tax was ₹184.20 crore (previous year ₹ 203.92 crore) and profit after tax was ₹126.73 crore (previous year ₹138.50 crore). The reduction in net profit was due to higher incidence of interest expenditure of ₹ 66.24 crore (previous year ₹ 9.15 crore) mainly attributed to higher utilization of working capital and short term loans arising out of delay in receipt of subsidy and increase in input prices and interest rates. Interest amounting to ₹75.09 crore was capitalized during the year.



BORROWINGS

For Ammonia Feedstock Changeover Projects (AFCP) at Panipat, Bathinda and Nangal, Rupee term loan of ₹3850 crore has been arranged from consortium of 13 Banks with State Bank of India as lead Bank. As on 31st March, 2012, long term loans of ₹1342 crore were outstanding for the AFCP capital scheme. In terms of GoI Policy notified on 6th March, 2009, the Company is entitled to capital subsidy after successful commissioning of AFCP projects over a period of five years towards project cost, interest on borrowed capital and return on own funds. For financing Urea Capacity Enhancement Projects at Vijaipur, ₹80.96 crore of Buyers Credit, ₹100.40 crore through Bonds and ₹77.45 crore through External Commercial Borrowings (ECBs) have been utilized. The short-term borrowings of the Company as at 31st March, 2012, stood at ₹ 1383.82 crore, including cash credit utilization, short-term loans, working capital demand loan, etc. (₹421.84 crore as at 31st March, 2011). Delay in timely receipt of urea subsidy and hike in the prices of inputs (Gas/FO/LSHS) lead to higher working capital borrowings. For identifying and managing the foreign exchange and interest risks, Company has put in place Foreign Currency and Interest Rate Risk Management Policy.

DIVIDEND

Your Company has a consistent track record of dividend payment. So far, your Company has disbursed cumulative dividend of ₹981.74 crore to the shareholders. The Board of Directors have recommended payment of dividend @ 7.8% (₹0.78 per share) for the year 2011-12. The total dividend pay out would be ₹44.48 crore (including dividend tax of ₹6.21 crore), and a sum of ₹12.67 crore has been transferred to the General Reserves.

CAPITAL & RESERVES

The Paid-up Capital and Reserves and Surplus as at 31st March, 2012 were ₹491 crore and ₹1264 crore respectively.

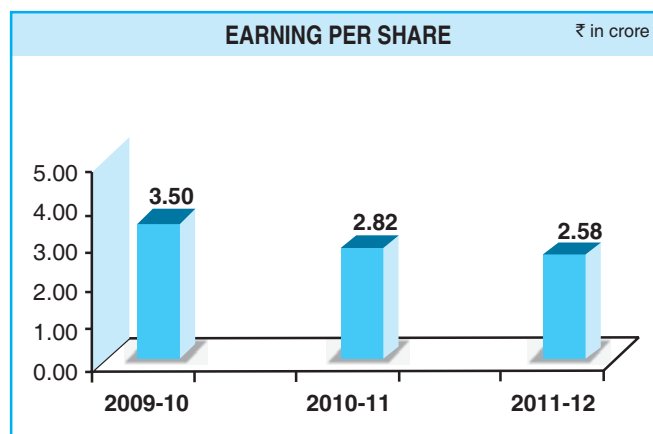
OPERATIONS

Production

During the year, your Company produced 34.01 lakh tonnes of Urea compared to 33.80 lakh tonnes in the previous year. This included ever best neem coated urea production of 6.4 lakh tonnes compared to 1.2 lakh tonnes in the previous year. The overall urea capacity utilization was 105.3%. Vijaipur Plants registered ever-best production of 19.14 lakh tonnes surpassing previous best of 18.71 lakh tonnes achieved in 2004-05. Extra production from Vijaipur Plants over and above the installed capacity was 1.85 lakh tonnes. Vijaipur-I and Vijaipur-II units achieved ever-best Ammonia production of 5.44 lakh tonnes and 5.86 lakh tonnes respectively, surpassing previous best of 5.29 lakh tonnes and 5.60 lakh tonnes in 2005-06 and 2006-07 respectively. Vijaipur-II plant achieved ever-best urea production of 10.12 lakh tonnes surpassing previous best of 9.74 lakh tonnes in 2006-07.

Due to operational problems, there was a production shortfall of urea at Panipat and Bathinda against the rated capacity, which was partially compensated by additional production of 25.1 thousand tonnes from Nangal.

Company in its endeavour to optimally utilize surplus ammonia from Vijaipur Unit and to produce cost effective/competitive industrial products at Nangal, achieved ever-best production of industrial products during the year.



Input Availability

During the year, Company had to procure spot gas intermittently up to December, 2011 to meet additional requirement of gas at Vijaipur-II after partial retrofitting in April, 2011 and shortfall arising out of reduced availability of Administered Pricing Mechanism (APM)/Panna Mukta Tapti (PMT) Gas. Supply of additional gas commenced from December, 2011 against allocation made by Gol for Vijaipur. Poor coal quality continues to be an area of serious concern, one of the factors responsible for higher energy consumption at Panipat, Bathinda and Nangal Units, for improvement of which continuous efforts are being made.

SALES & MARKETING

Urea

Company's prime business is production and sale of urea. It sold 33.89 lakh tonnes of Urea (including 6.4 lakh tonnes of Neem coated Urea) against 33.59 lakh tonnes (including Neem Coated Urea of 1.21 lakh tonnes) in the previous year.

Industrial Products

Sales performance in the Industrial Products segment, which include Nitric Acid, Ammonium Nitrate (Lumps & Melt) has been significant at ₹171 crore vis-à-vis ₹122 crore in the previous year, registering a growth of 40%. This included, sales worth ₹38 crore of Ammonium Nitrate (Melt), a new product marketed this year.

Bio-Fertilizers

During the year Bio-fertilizers (powder and liquid) worth ₹2.59 crore were sold against ₹0.87 crore in the previous year.

Agri-Business

The Company has been making foray into diverse agri-based business viz. Seeds, Compost, Micorhizza and Bentonite Sulphur. During the year, turnover of ₹22.72 crore was achieved compared to ₹10.28 crore in the previous year primarily on account of sale of seeds.

Promotion of balanced use of fertilizers

During the last three decades, the Company has been working closely with farming community by ensuring supply of quality fertilizers and other agri-inputs. Company believes in marketing its products and services through extensive field demonstrations coupled with an effort to build relationships with the end users, the farmers. To promote Company's "Kisan Urea" as a household name, various promotional activities including 100 farmers education programmes, 40 dealers/retailers orientation programmes, 415 field days, 120 block and front line demonstrations were organized during the year. Company participated in 44 kisan melas in its marketing territory spread across 18 states.

Company has four Mobile Soil Testing units attached to Nangal and Vijaipur Units and Lucknow and Bhopal Zonal Offices. It also has five static Soil Testing Laboratories at Nangal, Panipat, Vijaipur, Bhopal and Barabanki. One more static Soil Testing Laboratory is being set up at Balasore in Odisha. Micro Nutrient's Labs at Nangal, Vijaipur and Panipat Units are also being set-up. During the year, 48276 Samples for macro nutrients and 766 samples for micro nutrients were analyzed. 15 Trials on non-pressure Urea Ammonium Nitrate solution have been laid out at Punjab Agriculture University, Ludhiana. 33 Trials on use of Liquid Bio-Fertilizers were conducted at Kisan Vikas Kendras in the marketing territory of the Company.

MODERNIZATION AND EXPANSION PROJECTS

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

The Company has undertaken capital schemes for change over of feedstock from Fuel-oil to Natural Gas at Panipat, Bathinda and Nangal involving a total investment of ₹4066 crore with a completion period of 36 months from the Zero date i.e. 29th January 2010. The commissioning of the project at Nangal is scheduled by the end of December, 2012 and that of Panipat and Bathinda by January, 2013. Capital expenditure of ₹1546.17 crore towards these projects has been incurred upto 31st March, 2012.

These Projects are being implemented on Lumpsum Turnkey (LSTK) basis. Panipat and Bathinda projects are being implemented by M/s. Larsen & Toubro (L&T) with process licence from M/s. Halder Topsoe Associates. Nangal Project is being implemented by consortium of M/s. Tecnimont SPA Italy and M/s. Tecnimont ICB, Mumbai with process licence from M/s. KBR. M/s. Projects & Development India Limited (PDIL) has been engaged as Project Management Consultant for all the three projects.

Gas Pipeline

Firm allocation of gas from Gol is awaited to meet the gas requirement after completion of feedstock conversion projects. Company is following up for allocation of indigenous gas, alternatively RLNG shall be utilized for feed. The natural gas pipelines have already been laid and commissioned for Nangal and Bathinda units. Last mile connectivity to Panipat unit is in progress.

Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur

The Company has undertaken Capacity Augmentation of Ammonia & Urea plants at its Vijaipur-I & II units, including installation of Carbon Dioxide Recovery (CDR) plant at an investment of around ₹650 crore. Commissioning of capacity augmentation of Ammonia and Urea Plants was earlier planned for November, 2011, however, due to delay in supply of certain equipment, the same has been undertaken in April/July, 2012. Ammonia and Urea Revamp Projects of Vijaipur-I have been commissioned on 24th April, 2012. Carbon Dioxide Recovery (CDR) Plant was commissioned on 23rd May, 2012 and Ammonia and Urea Revamp Projects at Vijaipur-II are likely to be commissioned in July, 2012. The capital expenditure of ₹426.26 crore has been incurred upto 31st March, 2012.

JOINT VENTURES

Joint Venture with M/s. KRIBHCO & M/s. RCF

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

Revival of closed units of M/s. FCIL

Government of India on nomination basis has allotted NFL & Engineers India Limited (EIL) and NFL & Steel Authority of India Limited (SAIL) for revival of closed units of FCIL at Ramagundam and Sindri respectively. Separate MoUs have been entered with EIL and SAIL and pre-project activities have been undertaken. First Stage clearance of BIFR for these projects is awaited.

HUMAN RESOURCE

Amongst the three Ms, management of human resource is most important for success of any organization. NFL continues to strive for development of its human resource for realization of its full potential. The total Manpower

strength of the Company as on 31st March, 2012 was 4515 comprising of 1942 Executives and 2573 Non Executives. The total manpower includes 242 women employees of which 104 are in Executive cadre.

Various HR initiatives for the benefit of employees have been undertaken including implementation of Defined Contribution Superannuation Pension Scheme, Review of Performance Management System and implementation of Performance Related Pay.

Training Initiatives

During the year, to hone the skills and instill behavioral and personality development traits in all supervisory staff and managerial cadre, Company achieved 18,250 mandays training for employees with the aid of in-house and external training programmes. Training programmes were identified by systemizing organizational needs with individual needs through Performance Management System.

To give exposure to technology change in connection with Ammonia Feed Stock Change over Project being undertaken at Company's three Units, 41 personnel were sent to Copenhagen, Denmark for training principally on Halder Topsoe Technology, which is being put to use at Panipat and Bathinda Units. On site training at KRIBHCO, Hazira for 50 persons was arranged to expose them to the KBR technology being used for Nangal Revamp. Training on Distributive Control System/Emergency Shutdown System at Honeywell Works, Pune was also arranged.

Industrial Relations

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

IMPLEMENTATION OF OFFICIAL LANGUAGE

Your Company is continuously making efforts for the propagation and successful implementation of the Official Language Policy of the Union of India. The Official Language Implementation Committees at Unit and Corporate Level regularly held their quarterly meetings to monitor and review the progress made in achieving the targets fixed as per the annual programme of Department of Fertilizers (DoF).

In order to increase the use of Hindi in office work, 32 Hindi workshops were organized during the year in which 710 employees participated. Hindi Pakhwara, on the occasion of Hindi Divas (14th September), was observed in all the Offices/Units of the Company. Various Hindi competitions/programmes were organized during the Hindi Pakhwara in which 325 employees participated. Winners of Hindi Competitions were suitably awarded. 59 Employees were awarded cash prize under the Cash Incentive Scheme for doing maximum work in Hindi. Panipat Unit and Zonal Office Bhopal have been awarded Raj Bhasha Shield by respective Town Official Language Implementation Committees for outstanding work in Hindi.

Information Technology (IT) is being widely used to promote the official language in the various offices of the Company. Bilingual software was provided across the Units to impart working knowledge of Hindi as well as computer training programmes were extensively held to enable employees to use the software.

REPRESENTATION OF SCs/STs, OBCs AND PHYSICALLY DISABLED

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

INFORMATION TECHNOLOGY

The Company is making use of information technology (IT) to improve efficiency & productivity in its various business functions. Presently home grown software applications are in use for various business functions. In its endeavour to bring about uniformity in implementation of IT Applications across the company, In-house common Financial Accounting & Payroll Systems based on Oracle were implemented across the company.

Company has implemented Local Area Network (LAN), Multi-protocol Label Switching (MPLS) based Virtual Private Network (Wide Area Network) for connectivity amongst Corporate Office, Units and Marketing Offices.

Internet connectivity to the employees at Units and Offices has been provided through Leased Line / Broadband. High-speed data cards have been provided to the field personnel of marketing to upload sales data through internet.

Company is extensively using the facility of e-procurement, e-payment and e-receipt for bringing efficiency and transparency in the business system. Implementation of Mobile based Fertilizer Monitoring System (MFMS) is under way, which will provide information on the movement of fertilizers from the manufacturers to the retailers.

ENVIRONMENT MANAGEMENT

Company accords highest priority to Industrial Safety, Ecology & Pollution Control. The safety and occupational health of its employees and external stake-holders are of paramount importance and all these attributes are embedded within the core values of the organization. Safety/Environment Audit is carried out at production units from time to time.

Silos for collecting fly ash from ESP hoppers using dense phase pneumatic Conveying System have been installed at Panipat, Bathinda and Nangal Units for evacuation of ash from the plants. All the Units are ISO 9001-2000 certified for Quality Management System, ISO-14001 certified for Environment Management System and have received OHSAS-18001 certification for occupational health and safety management system.

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

CORPORATE SOCIAL RESPONSIBILITY

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

During the year 2010-11 and 2011-12, Company earmarked ₹3 crore and ₹3.25 crore respectively for CSR activities, against which till 31st March, 2012, an expenditure of ₹1.90 crore has been incurred and ₹3.19 crore stands committed towards activities under execution. The unspent amount has been carried over to 2012-13. The major CSR initiatives undertaken by your Company are detailed in a separate Annexure-VII.

THE RIGHT TO INFORMATION ACT, 2005

In consonance with the provisions of the Right to Information Act, 2005, Company has appointed Appellate Authorities/Public Information Officers/Assistant Public Information Officers at all the Units/Offices of the Company to respond effectively to the requests of the applicants under the Act.

In synchronization with the directions of Central Information Commission (CIC), for promotion of Institutional

transparency within the Public Authority through proactive and effective implementation of Section 4 of the RTI Act, 2005, the Company has also appointed a Transparency Officer.

Company has created necessary mechanism to meet the objective to bring out transparency in the functioning of organization as envisaged by RTI Act.

WHISTLE BLOWER POLICY

Your Company relies in transparency and propriety in its business dealings. To take this object further, Company has put in place a Whistle Blower Policy providing for a mechanism to the employees and other stakeholders to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct or Ethics Policy. The disclosures under the Policy are to be made to Ethics Committee Chaired by Director (Finance). In case of conflict of interest, the whistle blower can directly approach the Chairman of the Audit Committee. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism. During the year, no disclosures have been received under the whistle blower mechanism.

VIGILANCE

In Vigilance, focus continued to be given to preventive vigilance. Due thrust was given to maintaining high degree of awareness amongst the employees. 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.

Emphasis was on for computerization of activities relating to award of contracts, purchases, etc. to ensure transparency. In line with instructions received from the Department of Fertilizers/Central Vigilance Commission, emphasis is being given on leveraging of technology e.g. e-payments / receipts / procurement / tendering to facilitate transparency and avoid delays.

Regular interactions were organized between the vigilance functionaries and the line managers to understand the role of vigilance and to educate them on the policies, guidelines and procedures of the Company. In order to impart proper training to the employees, a detailed programme was prepared for organizing training programmes/workshops related to Vigilance activities at various offices/Units of the Company. Vigilance Awareness Week was observed at all the Units involving all employees to create an environment of ethical growth in the Company.

AWARDS & ACCOLADES

MoU

Company has received “Excellent” rating for the MoU 2010-11, which is eleventh excellent rating in a row.

Awards

During the year, Company and its employees received number of prestigious Accolades and Awards.

- a) First Award for excellence in ‘Cost Management’ in the category of Large Public Sector Enterprises (PSEs) for 2010 from the Institute of Cost Accountants of India.
- b) Panipat Unit was conferred as the ‘WINNER’ for the year 2009 & ‘RUNNERS-UP’ for the year 2008 by the Government of Haryana for “Lowest Accident Frequency rate” for Panipat Unit.
- c) Ms Neeru Abrol, Director (Finance) was awarded “Best Business Achiever” Award in Woman Category by the Institute of Chartered Accountants of India.
- d) Scope Excellence Award 2009-10 was awarded to Ms. Neeru Abrol, Director (Finance) for “Outstanding Woman Manager” among all the CPSEs, which was presented by Hon’ble Prime Minister of India at Vigyan Bhawan, New Delhi.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

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

STATUTORY AUDITORS & STATUTORY AUDITORS REPORT

The Statutory Audit of your Company was conducted by M/s. DSP & Associates and M/s. Thakur, Vaidyanath Aiyar & Co., Chartered Accountants, who were appointed as Joint Statutory Auditors for the financial year 2011-12 by Comptroller & Auditor General of India (C&AG). Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2012 is at Annexure-II.

The review of Annual Accounts of your Company for the year ended 31st March, 2012 by the C&AG under Section 619(4) of the Companies Act, 1956 forms part of this report as Annexure-III and do not call for any reply as no comments as supplementary to Statutory Auditor Report have been made.

COST AUDIT

Pursuant to the directions of Central Government for audit of Cost Accounts, your company has appointed Shri S.D.M. Nagpal for Nangal, M/s. Sanjay Gupta & Associates for Bathinda, Shri Shome & Bannerjee for Panipat and M/s. Chandra Wadhwa & Co. for Vijaipur-I & II as Cost Auditors for the year ended 31st March, 2012.

As prescribed under the Cost Accounting Records (Report) Rules, 2001, the cost accounting records are being maintained by all the Units of the Company.

The Cost Audit Reports for the financial year 2010-11 were filed as follows:-

Unit	Date of filing of Report
Nangal	05.09.2011
Bathinda	16.09.2011
Vijaipur I	05.09.2011
Vijaipur II	05.09.2011
Panipat	12.09.2011

CORPORATE GOVERNANCE

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

REPORT ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

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

PARTICULARS OF EMPLOYEES

None of employees of the Company is drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departure has been made therefrom by the Company;
- ii. the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2011-12 and of the profit of the Company for that period;
- iii. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

Shri Satish Chandra, Joint Secretary, DoF, Director on the Board of the Company held the Additional Charge as Chairman & Managing Director from 31st March, 2011 to 23rd December, 2011.

Shri Munikoti Niranjan Rao, a practicing Chartered Accountant who was appointed as an Additional Director on the Board on 6th May, 2011, has been elected as Director at the previous AGM held on 12th September, 2011.

Shri Suresh Chandra Gupta, Joint Secretary, DoF has been appointed as Additional Director w.e.f. 12th September, 2011 and Shri Sham Lal Goyal, Joint Secretary, DoF has been appointed as Additional Director and assigned the additional charge as Chairman & Managing Director since 23rd December, 2011.

Notice has been received u/s 257(1) of Companies Act, 1956 for appointment of Shri Suresh Chandra Gupta and Shri Sham Lal Goyal as Directors at the Annual General Meeting.

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

CODE OF CONDUCT

In line with the requirements of Clause 49 of Listing Agreement, the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2012.

ACKNOWLEDGEMENTS

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

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

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

For and on behalf of the Board of Directors

(Sham Lal Goyal)
Chairman & Managing Director

Place: New Delhi
Date: 25th July, 2012

Management Discussion & Analysis Report

STATE OF ECONOMY & INDUSTRY

The Indian Economy is estimated to grow by 6.9% in 2011-12 compared to 8.4% in the preceding two years, indicating a slow down compared to the previous years. With agriculture and services continuing to perform well, slow down can be attributed to the weakening of industrial growth. The global economic environment turned sharply adverse in September, 2011 owing to the turmoil and near recessionary conditions prevailing in Europe, sluggish growth in many other countries like USA, stagnation in Japan and hardening international prices of crude oil. Domestic factors like monetary policy, in particular raising the repo-rate to control inflation, also resulted in slowing down of investment and growth.

FERTILIZER INDUSTRY

Indian Fertilizer Industry is considerably dependent on Government's intervention. Stagnation in domestic capacity and steady growth in demand for fertilizers and consequent substantial imports of fertilizers and raw materials in recent years have thrown new challenges in meeting fertilizer requirements. Inadequate supply of domestic natural gas and high prices of imported LNG have been major bottlenecks in attracting fresh investment for additions in domestic capacity for urea. Policy initiatives are needed to enhance in domestic capacity. Initiatives are also needed to secure supply of fertilizers and raw materials by setting up joint ventures abroad and long term off take agreements.

Fertilizer use efficiency trend at national level has been declining mainly due to imbalanced use of fertilizers and dependence on rains, which play truant many a times. Shrinking ground water levels, climate change, etc. put more agriculture areas at risk of severe water scarcity.

Fertilizer marketing is undergoing a sea change in the emerging scenario in view of entry of new players and broadening of product portfolios. Identifying and understanding customer behaviour and relationship management would be key for the future. The use of customized fertilizers, water soluble fertilizers are finding place in the markets, which provide suitable nutrient alternatives to the farmers. The budget provision for fertilizer subsidy for the year 2012-13 has been kept at ₹60974 crore, which is significantly lower compared to actuals of 2011-12 estimated at ₹85000 crore. Delayed subsidy payments to the industry lead to higher working capital entailing additional borrowings and interest thereon, which are not reimbursed by the Government.

The Government has accepted the recommendations of the Task Force headed by Shri Nandan Nilekani on strategy to direct transfer of subsidy. Mobile Based Fertilizer Management System providing end to end information on the movement of fertilizers and subsidies from the manufacturers to the retailers is expected to be rolled out nationwide during 2012.

In addition to urea, 25 grades of P&K fertilizers namely di-ammonium phosphate (DAP), muriate of potash (MoP), mono-ammonium phosphate (MAP) and 10 grades of NP&S complex fertilizers are provided to farmers at subsidized prices under the Nutrient Based Subsidy (NBS) Policy. India is meeting 80% of its urea requirement through indigenous production and 20% urea requirement is met through imports.

The estimated production of urea during 2011-12 is 22.29 million tonnes. Availability of raw materials/intermediates has been a bottleneck for increase in production.

BUSINESS ORGANIZATION

Company is mainly in the business of production and marketing of urea. It has five Urea plants, one each at Nangal and Bathinda (Punjab), one at Panipat (Haryana) and two at Vijaiapur (Madhya Pradesh). Company is the second largest producer of urea in the country with a share of 15.46% of total urea production.

Company also deals in various Industrial Products including Nitric Acid, Ammonium Nitrate (lumps & melt), Sulphur, Liquid Argon, Liquid Nitrogen, Sodium Nitrate, Carbon Dioxide, etc.. Company has also a 100 tonnes p.a. bio-fertilizers plant at Vijaipur, where three strains of bio-fertilizers namely Phosphate Solubilising Bacteria (PSB), Rhizobium and Azotobacter are produced. Company also markets certified seeds, compost, Mycorrhiza and Pesticides.

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

OPPORTUNITIES

Commissioning of changeover of Feedstock Project from Fuel-oil to Gas is expected by end of December, 2012 at Nangal and at Panipat and Bathinda is expected by end of January, 2013. After commissioning of these projects, cost of production of urea from these units will become competitive in the market. Further, completion of capacity augmentation of urea projects at Vijaipur would enable the Company to consolidate its position as a leader in urea production.

NFL is the first fertilizer manufacturer in the country, which has developed technique for coating of normal prilled Urea with neem oil on large scale. Wider acceptability of neem coated urea in the market, offers an opportunity to augment the production of neem coated urea. During 2011-12, it has produced 6.4 lakh tonnes of neem coated urea.

Company has been producing and marketing a number of industrial products including Nitric Acid, Ammonium Nitrate, Sulphur, liquid argon, liquid nitrogen and is exploring to expand further in this segment.

Company has a well knit marketing set-up and dealer-network with significant presence in Northern and Central India. With the implementation of Nutrient Based Subsidy (NBS) from April, 2010 for P&K fertilizers, there is an opportunity for undertaking trading of P&K fertilizers. Marketing of agro-inputs like seeds, compost, pesticides could be explored on a large scale. Company also sees an opportunity in use of customized fertilizers.

THREATS

Company primarily has a single nutrient product base i.e. Urea. Increasing input costs of feed-stock i.e. Fuel-Oil/Natural Gas has raised the cost of production of Urea and Industrial Products. Globalized competitive scenario coupled with reducing trend of import duties and dumping at low price may affect the sale and margins on industrial products being produced by the Company. Rising prices and reduced availability of natural gas may be an area of concern for the Company.

Dependence on Monsoons is increasing. Scanty rains because of Monsoon failures affect the urea off takes resulting in high inventory and delayed realization, affecting the liquidity and funds availability.

RISKS & CONCERNS MANAGEMENT PERCEIVES

Firm allocation of gas is required for commissioning of feed-stock conversion projects at Panipat, Bathinda and Nangal. Company is following up with the Government of India for allocation of indigenous gas, alternatively RLNG shall be utilized for feed.

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

Many experienced technical and other professionals will be superannuating in the next few years. Skilled and trained manpower would be required to sustain the organization. Company is rationalizing manpower through selective recruitment, job rotation and diversification. Employees are also being exposed to technical trainings to upgrade their skills to meet the organizational requirements.

POSITIONING FOR THE FUTURE

(A) PROJECTS: Stagnation in domestic capacity and steady growth in demand for fertilizers and consequent large scale import of fertilizers and raw materials in recent years have thrown-up new challenges. Considering the opportunities available, Company has undertaken the following initiatives:

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

Company has undertaken revamp of fuel-oil based plants at Panipat, Bathinda & Nangal for changeover of feedstock from FO/LSHS to NG/RLNG at a total investment of ₹4066 crores and a completion period of 36 months from the Zero date i.e. 29th January 2010. Panipat and Bathinda projects are being implemented by M/s. Larsen & Toubro Ltd. (L&T) with process licence from M/s. Halder Topsoe Associates. Nangal Project is being implemented by consortium of M/s. Tecnimont SPA Italy and M/s. Technimont ICB, Mumbai with process licence from KBR. M/s. Projects & Development India Limited (PDIL) has been engaged as Project Management Consultant for all the three projects. Commissioning of the project at Nangal is expected by end of December, 2012 and Panipat and Bathinda by end of January, 2013. After revamp, urea would be produced at these plants on competitive prices.

Urea Capacity Augmentation & Energy Saving Project (ESP) at Vijapur

The Company has undertaken Capacity augmentation of Ammonia & Urea plants at Vijapur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant at an investment of around ₹650 crore. The revamp at Vijapur-I has been commissioned on 24th April, 2012, Carbon Dioxide Recovery Plant has been commissioned on 23rd May, 2012 and Vijapur-II is likely to be commissioned in July, 2012. The total urea capacity of Vijapur Units after commissioning of these projects has been augmented to 20.66 lakh tonnes from 17.29 lakh tonnes per annum.

Revival of closed units of M/s. FCIL

Government of India on nomination basis has allotted NFL & Engineers India Limited (EIL) and NFL & Steel Authority of India Limited (SAIL) for revival of closed units of FCIL at Ramagundam and Sindri respectively. Separate MoUs have been entered with EIL and SAIL and pre-project activities have been undertaken. First Stage clearance of BIFR for these projects is awaited. These ventures will provide the Company an opportunity to establish itself as a market leader in urea.

(B) MARKETING:

Sale of other fertilizers

The present market is very competitive and in view of the globalization scenario and to exploit the opportunities in the Nutrient Based Subsidy (NBS) regime a dedicated team has been formed. Company intends to make use of New Fertilizer Policy by entering into customized fertilizers. Company has plans to import fertilizers like MoP, DAP, depending upon the price and availability, for trading through its distribution network. Company is also exploring setting up of Single Superphosphate Plant at one of its Unit to add to its product range.

Seeds

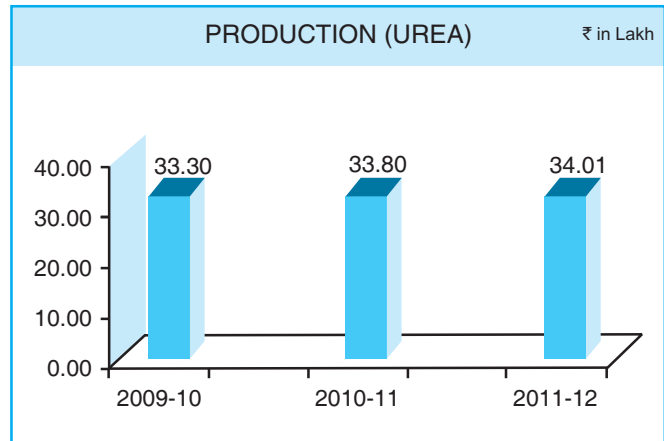
Company has been selling substantial quantity of seeds sourced from Government agencies. It has been producing certified seeds in pilot projects at selected farms in adopted villages. Company endeavours to produce and market quality seeds of various high yield variety crops under its own brand.

REVIEW OF PERFORMANCE OF THE COMPANY

Production Review

Company produced 34.01 lakh tonnes of Urea compared to 33.80 lakh tonnes of the previous year. The total included neem coated urea production of 6.4 lakh tonnes compared to 1.20 lakh tonnes of the previous year. The overall capacity utilization was 105.3%. Vijaipur Plant registered ever-best production of 19.14 lakh tonnes surpassing previous best of 18.71 lakh tonnes achieved in 2004-05. Extra production from Vijaipur Plants over and above the installed capacity was 1.85 lakh tonnes. Vijaipur-I and Vijaipur-II units achieved ever-best Ammonia production of 5.44 lakh tonnes and 5.86 lakh tonnes respectively surpassing previous best of 5.29 lakh tonnes and 5.60 lakh tonnes in 2005-06 and 2006-07 respectively. Vijaipur-II plant achieved ever-best urea production of 10.12 lakh tonnes surpassing previous best of 9.74 lakh tonnes in 2006-07. There was a shortfall of urea production at Panipat and Bathinda against their rated capacity, which was partially covered by additional production of 25.1 thousand tonnes from Nangal.

Ever-best lowest energy consumption of 9.438 Gcal/tonne was achieved at Nangal surpassing the previous best lowest energy consumption of 9.446 Gcal/Tonne achieved during 2010-11. Energy consumption at all the Units was within the norms except for Panipat.



MARKETING REVIEW

Sales & Marketing

Company sold 33.89 lakh tonnes of Urea (including 6.4 lakh tonnes of Neem coated Urea) against 33.59 lakh tonnes (including Neem Coated Urea of 1.21 lakh tonnes) in the previous year. The sales turnover including subsidy for the year was ₹ 7341 crore, an increase of 26% over ₹5804 crores of the previous year. The higher turnover as compared to the previous year is due to higher sales of urea and industrial products and increase in subsidy due to escalation in prices of inputs i.e. petroleum products and natural gas.

Sales performance in the Industrial Product segment has been significant at ₹171 crore vis-à-vis ₹122 crores of the previous year registering a growth of 40%.

Agri-business

The Company has been making foray into diverse agri-based business viz. Seeds, Compost, Micorhizza, Bentonite Sulphur, Bio-fertilizer (Liquid & Powder). During the year, turnover of ₹22.72 crore was achieved as compared to ₹10.28 crore in the previous year in this segment.

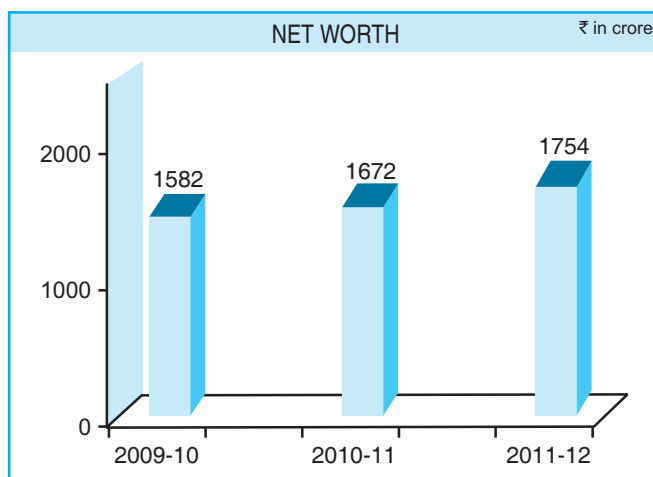
HUMAN RESOURCE

In the coming years, number of employees in executive and non-executive cadre shall be superannuating. Manpower cost of the Company has arisen substantially since implementation of last pay revision. The qualification mix/skill set of the employees is required to be improved commensurate with the technological upgradation undertaken at all the plants. To improve talent retention and to maintain competitive edge, a study by outside experts for optimum manpower including organizational structure, performance management system and promotion policy has been undertaken.

REVIEW OF FINANCIAL PERFORMANCE

During the year under review, the Company achieved turnover of ₹7341 crore (previous year ₹5804 crore). The earnings before interest, depreciation and tax (EBIDTA) at ₹342 crore was higher than ₹302 crore achieved in previous year inspite of higher salaries and wages, repairs & maintenance, etc. mainly due to higher production/sale of urea and industrial products. The profit before tax was ₹184.20 crore (previous year ₹203.92 crore) and profit after tax was ₹126.73 crore (previous year ₹138.50 crore). The short-term borrowings of the company as at 31st March, 2012, stood at ₹1383.82 crore including cash credit utilization, short-term loans, working capital demand loan, etc. (₹421.84 crore as at 31st March, 2011). Delay in receipt of urea subsidy and hike in the prices of Gas/LSHS/FO lead to more borrowings for meeting working capital requirements. In addition, during the year, long-term loans of ₹1342 crore have been availed for Ammonia Feedstock changeover Projects and ₹80.96 crore of Buyers Credit, ₹100.40 crore Bonds and ₹77.45 crore External Commercial Borrowings have been utilized for financing Capacity Enhancement of Urea at Vijapur.

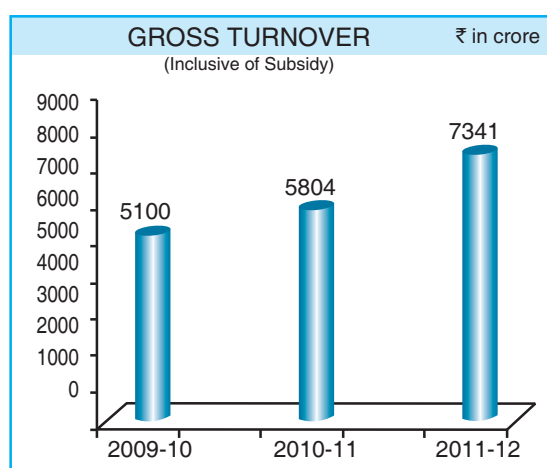
Analysis of the Financial Performance of the Company:



(a) Turnover

Particulars	₹ in crore		
	FY 2011-12	FY 2010-11	Change (%)
Sales Turnover (Gross)	7341	5804	26.15

The increase in sales turnover is on account of higher volume and increase in prices of input cost (Gas/LSHS/FO/Coal/Power) impacting the subsidy component.



(b) Interest Earned

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Interest earned - Bonds	-	2.71	(100)
Others (Term deposit etc.)	4.64	8.13	(42.93)
TOTAL	4.64	10.84	(57.20)

Interest income reduced due to disposal/sale of Fertilizer Bonds and non-availability of any surplus funds for short-term deposits.

(c) Other Income

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Other Income (Rent, profit on sale of assets, misc. income etc.)	32.73	33.38	(1.94)

(d) Consumption of Raw Materials

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Raw Materials Consumed	4399.91	3292.35	33.64

The increase in consumption of raw materials is mainly on account of increase in prices of inputs materials i.e. FO/LSHS (36%) and Natural Gas (27%)

(e) Repairs & Maintenance

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Repairs and Maintenance	80.31	74.20	8.23

The increase in Stores & spares consumption and Repair & Maintenance is due to forced shutdown at Bathinda Unit during May/June 2011 and breakdowns at Panipat unit.

(f) Employees Benefits

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Employee Remuneration & Benefits	407.83	386.96	5.39

Employee remuneration and benefits increased on account of higher actuarial provisioning towards employee benefits scheme.

(g) Power and Fuel

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Power and Fuel	1618.73	1248.77	29.63

The increase in consumption of power and fuel is mainly on account of increase in prices of input material i.e. Fuel oil (36%), Coal (10%), Power (11%) and Natural Gas (27%).

(h) Freight and Handling

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Freight and Handling	274.20	245.51	11.69

The increase in freight and handling expense is mainly due to higher dispatches of Urea during the year.

(i) Other Expenses

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Other Expenses	128.21	109.80	16.77

The increase in other expenses is mainly due to interest payable on land compensation arising out of Apex Court Verdict at Bathinda Unit, exchange rate fluctuation and increase in security expenses.

FINANCIAL STATUS

(a) Fixed Assets

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Tangible Assets	548.35	598.03	(8.31)
Intangible Assets	1.27	0.98	29.59
Capital work in progress	2653.38	525.56	404.87
Total Fixed Assets	3203.00	1124.57	184.82

The increase is mainly due to increase in capital work in progress due to expenditure incurred on projects of Energy Saving and Urea capacity enhancement at Vijaipur and changeover of feedstock from fuel oil to natural Gas at Nangal, Bathinda and Panipat units.

(b) Non-current Investment

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Investments (Net of Provisions)	0.03	-	-

(c) Inventories

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Raw Materials	177.68	118.09	50.46
Stores and Spares (including packing material)	196.74	158.69	23.97
Semi-finished / finished products	142.40	86.36	64.89
Total	516.82	363.14	42.32

Increase is due to rise in value of stock of raw materials and finished products due to higher prices of FO/LSHS/Natural Gas and other inputs.

(d) Trade Receivables

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Gross Debtors – FICC	2333.82	1497.37	55.86
- Others	105.76	116.91	(9.54)
Less: Provision for Doubtful Debts	11.86	12.83	(7.56)
Net Debtors	2427.72	1601.45	51.60

The increase in debtors is mainly due to higher receivables (subsidy) from Fertilizer Industry Coordination Committee (FICC) for reimbursement towards the price of inputs.

(e) Short term Loans & Advances

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Loans and Advances	142.22	97.69	45.58

The increase is mainly due to increase in advance to suppliers and Income tax refund.

(f) Current Liabilities

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Short Term Borrowings	1383.82	421.84	228.04
Trade Payables	437.84	430.88	1.62
Other current Liabilities	902.94	333.51	170.75
Short Term Provisions	66.55	64.42	3.31
Total	2791.15	1250.65	123.18

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

(g) Non-current Liabilities

(₹ in crore)

Particulars	FY 2011-12	FY 2010-11	Change (%)
Long Term Borrowings	1600.81	191.22	737.16
Other long term liabilities	22.93	13.41	70.99
Total Loans	1623.74	204.63	693.50

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

INTERNAL CONTROLS

The Company has put in place adequate internal control measures in all areas. These measures are in the form of various codes, manuals and procedures issued by the Management, covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, Personnel, etc. These codes, manuals and procedures are updated from time to time and are subject to strict compliance, which is monitored by Internal Audit. Company has an internal audit set up empowered to examine the adequacy and compliance with policies, plans and statutory requirements.

Continuous audit and verification of the systems enables to plug any shortcomings. The Internal Audit functions of all manufacturing units, Corporate Office and Marketing Division including Industrial Products have been assigned to external audit firms of Chartered Accountants.

Audit Committee and Management periodically review the functioning of internal audit and adequacy of internal control system.

CAUTIONARY STATEMENT

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

ANNUAL ACCOUNTS 2011-2012

BALANCE SHEET AS AT 31ST MARCH 2012

	Notes	As at 31 st March 2012	₹ Crore As at 31 st March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	1	490.58	490.58
Reserves and surplus	2	1263.85	1181.60
		1754.43	1672.18
Non-current liabilities			
Long-term borrowings	3	1600.81	191.22
Deferred tax liabilities (Net)	4	71.00	85.28
Other Long term liabilities	5	22.93	13.41
Long-term provisions	6	169.34	155.64
		1864.08	445.55
Current liabilities			
Short-term borrowings	7	1383.82	421.84
Trade payables	8	437.84	430.88
Other current liabilities	9	902.94	333.51
Short-term provisions	10	66.55	64.42
		2791.15	1250.65
Total		6409.66	3368.38
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	548.35	598.03
Intangible assets	12	1.27	0.98
Capital work-in-progress	13	2653.38	525.56
Non-current investments	14	0.03	-
Long-term loans and advances	15	115.71	152.09
Other non-current assets	16	0.83	-
		3319.57	1276.66
Current assets			
Inventories	17	516.82	363.14
Trade receivables	18	2427.72	1601.45
Cash and cash equivalents	19	2.77	29.44
Short-term loans and advances	20	142.22	97.69
Other current assets	21	0.56	-
		3090.09	2091.72
Total		6409.66	3368.38

Notes referred above and Significant Accounting Policies and General information given in Annexure-A form integral part of the Financial Statement

For and on behalf of the Board of Directors

TEK CHAND COMPANY SECRETARY	NEERU ABROL DIRECTOR (FINANCE)	SHAM LAL GOYAL CHAIRMAN & MANAGING DIRECTOR
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As per our report of even date attached

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

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

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

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 28th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

	Notes	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
REVENUE			
Revenue from operations (gross)	22	7340.53	5804.03
Less: Excise duty		35.24	13.00
Revenue from operations (net)		7305.29	5791.03
Other Income	23	37.37	44.22
Total (I)		7342.66	5835.25
EXPENSES			
Cost of Materials consumed	24	4526.29	3401.90
Purchase of Traded Goods	25	21.50	107.42
(Increase)/Decrease in inventories of finished goods work-in-progress and traded goods	25	(56.07)	(41.28)
Employee Benefits Expense	26	407.83	386.96
Power and Fuel	27	1618.73	1248.77
Freight and Handling		274.20	245.51
Repairs and Maintenance	28	80.31	74.20
Finance Cost	29	66.24	9.15
Depreciation and Amortization Expense	30	91.22	88.90
Other Expenses	31	128.21	109.80
Total Expenses (II)		7158.46	5631.33
Profit before Tax (III)=(I)-(II)		184.20	203.92
TAX EXPENSES:			
Current tax		79.53	99.64
Deferred tax		(19.90)	(34.29)
Earlier years'		(2.16)	0.07
Total Tax Expense (IV)		57.47	65.42
Profit for the year (III)-(IV)		126.73	138.50
Earnings per equity Share			
Basic Earnings per share (₹)	32	2.58	2.82

There are no exceptional, extraordinary and discontinuing operations.

Notes referred above and Significant Accounting Policies and General information given in Annexure-A form integral part of the Financial Statement

For and on behalf of the Board of Directors

TEK CHAND
COMPANY SECRETARY

NEERU ABROL
DIRECTOR (FINANCE)

SHAM LAL GOYAL
CHAIRMAN & MANAGING DIRECTOR

As per our report of even date attached

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

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

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 28th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	184.20	203.92
Adjustments For :		
Depreciation / Amortization	91.22	88.90
Interest (Net)	61.60	(1.67)
Loss on Sale of Fixed Assets	0.02	0.02
Exchange Rate Variation (Net)	2.00	(1.92)
Provision for Diminution in Value of Investments	-	0.03
Loss on Sale of Investment	-	1.14
Provision for Doubtful Debts/ Advances	1.36	4.92
Provision for Obsolete/Surplus Stores	-	(0.29)
Liabilities / Provisions no longer required written back	(1.16)	(3.84)
Stores and Spares write offs	4.26	4.28
Assets written off	0.35	0.82
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	343.85	296.31
Adjustments For :		
Trade and Other Receivables	(810.06)	(676.04)
Inventories	(157.92)	(20.01)
Trade Payables & Others	603.72	221.76
Direct Taxes paid	(97.75)	(107.62)
NET CASH FROM OPERATING ACTIVITIES "A"	(118.16)	(285.60)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(2170.34)	(649.59)
Purchase of Investments	-	(0.03)
Sale of Investments	-	120.66
Fixed Assets Sold/Discarded	0.32	1.69
Interest Received	4.64	10.82
NET CASH FROM INVESTING ACTIVITIES "B"	(2165.38)	(516.45)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Working Capital Borrowings	739.98	110.68
Long Term Loans	1409.59	191.22
Short Term Loans	222.00	(92.00)
Interest Paid	(66.24)	(9.15)
Dividend/Distribution Tax paid	(48.46)	(60.07)
NET CASH FROM FINANCING ACTIVITIES "C"	2256.87	140.68
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(26.67)	(661.37)
Cash and Cash Equivalents (Closing Balance)	2.77	29.44
Cash and Cash Equivalents (Opening Balance)	29.44	690.81
NET INCREASE IN CASH AND CASH EQUIVALENTS	(26.67)	(661.37)

For and on behalf of the Board of Directors

TEK CHAND COMPANY SECRETARY	NEERU ABROL DIRECTOR (FINANCE)	SHAM LAL GOYAL CHAIRMAN & MANAGING DIRECTOR
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As per our report of even date attached

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

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

Place: New Delhi
Date: 28th May, 2012

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

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 1 SHARE CAPITAL		
Authorized	<u>1000.00</u>	<u>1000.00</u>
100,00,00,000 Equity Shares of ₹ 10 each		
Issued, Subscribed and Paid-Up	490.58	490.58
49,05,78,400 Equity Shares of ₹ 10 each fully paid up		
	<u>490.58</u>	<u>490.58</u>

- a. There has been no movement in the Issued, Subscribed and Paid -up capital of the Company.
b. Terms/Rights attached to equity shares

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

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

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

	As at 31 st March 2012		As at 31 st March 2011	
	No.	%	No.	%
Equity Shares of ₹10 each fully paid				
Government of India	479000500	97.64	479000500	97.64

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31st March 2012	₹ Crore As at 31st March 2011
NOTE : 2 RESERVES AND SURPLUS		
Capital Reserve (Capital reserves relate to reserve generated on disposal of fixed assets)	2.51	2.51
General Reserve		
As per last Balance sheet	310.12	296.27
Add: Transferred from Surplus	12.67	13.85
Closing Balance	<u>322.79</u>	<u>310.12</u>
Debenture Redemption Reserve		
As per last Balance sheet	-	-
Add: Transferred from Surplus	25.10	-
Closing Balance	<u>25.10</u>	<u>-</u>
Surplus in Statement of Profit and Loss		
As per last Balance sheet	868.97	792.78
Add : Profit for the year transferred from Statement of Profit & Loss	126.73	138.50
Less: Appropriations		
Proposed Dividend {Dividend per share ₹0.78 (Previous year ₹0.85)}	(38.27)	(41.70)
Tax on proposed dividend	(6.21)	(6.76)
Transfer to general reserve	(12.67)	(13.85)
Transfer to debenture redemption reserve	(25.10)	-
Total Appropriations	<u>(82.25)</u>	<u>(62.31)</u>
Balance Transferred to surplus	<u>913.45</u>	<u>868.97</u>
	<u>1263.85</u>	<u>1181.60</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 3 LONG TERM BORROWINGS		
Bonds/Debentures		
1004 (Previous year: Nil) 9.42% Non Convertible Bonds of ₹10,00,000/- each	100.40	-
Term Loans		
Indian rupee loans from scheduled banks	1342.00	150.00
Foreign currency ECB loans from scheduled banks	77.45	-
Foreign currency loans - Buyers Credit	80.96	41.22
	<u>1600.81</u>	<u>191.22</u>
The above amount includes		
Secured borrowings	1519.85	150.00
Unsecured borrowings	80.96	41.22
Net Amount	<u>1600.81</u>	<u>191.22</u>

- a. 9.42% Secured Redeemable Non-Convertible Bonds of ₹10,00,000/- each issued with five years tenor redeemable at par in three installments at the end of third year from issue date of 15th September, 2011 (30% at end of 3rd year, 30% at the end of 4th year and balance 40% at end of 5th year). These bonds are secured by mortgage/charge on land and building of Company located at Corporate office at Noida.
- b. Rupee loan from scheduled banks, with total sanctioned amount of ₹3850 crore for Ammonia Feedstock Conversion Projects is secured by first charge ranking pari-passu inter-se on entire fixed assets, movable and immovable (present & future) related to Nangal, Bathinda & Panipat units and second charge over the entire current assets and subsidy (excluding reimbursement related to energy savings and interest expenses) of the Company. Repayment of sanctioned term loan would fall due for ₹770 crore in FY 2013-14, ₹770 crore in FY 2014-15, ₹770 crore in FY 2015-16, ₹770 crore in FY 2016-17 and ₹770 crore in FY 2017-18. The rate of interest on the term loan is linked to the SBI base rate and during the year varied between 9.75%-11.50% p.a.
- c. Foreign currency External Commercial Borrowing (ECB) loan from Schedule Banks, with total sanctioned limit of USD 50 million has been used for energy saving and urea capacity augmentation projects at Vijaipur and is secured by first pari-passu charge on all fixed assets, movable and immovable (both present and future) related to Vijaipur and second pari-passu charge on the current assets (both present and future) and subsidy of the company. The rate of interest is 6 months USD LIBOR plus margin of 3.05% p.a. and upfront arrangement fee of 1.58% of facility. Repayment of ECB loan would fall due for ₹6.12 crore in FY 2014-15, ₹14.09 crore in FY 2015-16, ₹14.10 crore in FY 2016-17, ₹14.09 crore in FY 2017-18, ₹14.10 crore in FY 2018-19 and ₹14.95 crore in FY 2019-20.
- d. Foreign currency loans - Buyers Credit from scheduled Banks, total drawn amount of USD 15.68 million for energy saving and urea capacity augmentation projects at Vijaipur. The rate of interest is 6 months LIBOR plus margin of 2.00% p.a. for Buyer Credit of USD 9.89 million and 6 months USD LIBOR plus margin of 1.50% p.a. and upfront fee of 1.1% p.a. for Buyer's credit of USD 5.79 million. Repayment of Buyer's credit would fall due for ₹47.05 crore in FY 2013-14, ₹31.45 crore in FY 2014-15 and ₹2.46 crore in FY 2015-16.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE: 4 DEFERRED TAX LIABILITIES (NET)		
Deferred tax liability		
Fixed assets: Impact of difference between depreciation as prescribed under Income Tax Act, 1961 and depreciation/amortization charged in books of accounts	118.28	139.76
Deferred tax assets		
Impact of expenditure and provisions charged to the statement of profit and loss during the year but allowed for tax purpose on payment basis.	(47.28)	(54.48)
Net deferred tax liability	<u>71.00</u>	<u>85.28</u>

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 5 OTHER LONG -TERM LIABILITIES		
Creditors for Capital Works	-	6.24
Others	22.93	7.17
	<u>22.93</u>	<u>13.41</u>

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 6 LONG TERM PROVISIONS		
Provisions for employee benefits *	169.34	155.64
	<u>169.34</u>	<u>155.64</u>
* Item wise breakup of Provisions for employee benefits		
Earned Leave	55.96	54.55
Half Pay Leave	41.40	39.45
Post Retirement Medical Benefits	59.54	50.21
Post Retirement Settlement Benefits	0.94	0.61
Long Service Award	0.55	0.93
Social Security Benefits	6.54	7.26
Employees' Family Economic Rehabilitation Schemes	4.41	2.63
	<u>169.34</u>	<u>155.64</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 7 SHORT TERM BORROWINGS		
Cash credit from Banks	1083.82	343.84
Commercial Papers	200.00	-
Short Term loans from Banks	100.00	78.00
	<u>1383.82</u>	<u>421.84</u>
The above amount includes		
# Secured borrowings (Cash Credit)	1083.82	343.84
Unsecured borrowings	300.00	78.00
	<u>1383.82</u>	<u>421.84</u>

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

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE: 8 TRADE PAYABLES		
Trade payables (refer S. No 6 of Annexure-A for details of dues to Micro, Small & Medium Enterprises)	437.84	430.88
	<u>437.84</u>	<u>430.88</u>

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE: 9 OTHER CURRENT LIABILITIES		
Security Deposits	56.99	51.63
Interest accrued but not due on borrowings	0.98	0.02
Advances from customers	30.48	19.33
Creditors for Capital Works	701.67	163.31
Unpaid dividend	0.03	0.04
Statutory Dues	29.10	13.98
Liability for employee benefits / remuneration	57.55	58.25
Others	26.14	26.95
	<u>902.94</u>	<u>333.51</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 10 SHORT TERM PROVISIONS		
Provisions for employee benefits *	22.07	15.96
Proposed dividend {7.80 % (previous year 8.50%)}	38.27	41.70
Provision for tax on proposed dividend	6.21	6.76
	<u>66.55</u>	<u>64.42</u>
* Item wise breakup of Provisions for employee benefits:		
Gratuity	7.72	4.25
Earned Leave	6.09	4.75
Half Pay Leave	4.35	3.50
Post Retirement Medical Benefits	1.54	1.47
Post Retirement Settlement Benefits	0.09	0.07
Long Service Award	0.14	0.16
Social Security Benefits	1.22	1.26
Employees' Family Economic Rehabilitation Schemes	0.92	0.50
	<u>22.07</u>	<u>15.96</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTE: 11 TANGIBLE ASSETS

₹ Crore

DESCRIPTION	Gross Block				Depreciation				Net Block	
	As at 1 st April, 2011	Additions	Deductions/ Adjustments	As at 31 st March, 2012	As at 1 st April, 2011	For the year	On Deductions/ Adjustments	Upto 31 st March, 2012	As at 31 st March, 2012	As at 31 st March, 2011
LAND										
- Freehold	9.19	2.73	-	11.92	-	-	-	-	11.92	9.19
- Leasehold	12.71	-	-	12.71	5.45	0.25	-	5.70	7.01	7.26
BUILDINGS										
- on Freehold Land	67.97	0.16	-	68.13	43.21	0.93	-	44.14	23.99	24.76
- on Leasehold Land	84.93	0.08	-	85.01	35.68	1.78	-	37.46	47.55	49.25
Leasehold Buildings	1.36	-	-	1.36	0.73	0.05	-	0.78	0.58	0.63
Plant and Machinery	2602.29	33.85	10.92	2625.22	2125.35	82.76	10.33	2197.78	427.44	476.94
Furniture and Fixtures	12.83	0.20	0.06	12.97	10.90	0.52	0.04	11.38	1.59	1.93
Vehicles	2.77	0.50	0.21	3.06	1.94	0.16	0.22	1.88	1.18	0.83
Office Equipments	4.90	0.26	(1.20)	6.36	2.66	0.22	(1.03)	3.91	2.45	2.24
OTHERS										
Electrical Installations	64.26	0.01	(0.04)	64.31	50.24	1.97	-	52.21	12.10	14.02
Railway Sidings	12.65	0.08	-	12.73	11.98	0.10	-	12.08	0.65	0.67
EDP Equipments	12.84	2.03	2.80	12.07	9.83	1.02	2.65	8.20	3.87	3.01
Other Equipments	23.74	1.87	1.06	24.55	16.45	1.01	0.93	16.53	8.02	7.29
Sub-Total	2912.44	41.77	13.81	2940.40	2314.42	90.77	13.14	2392.05	548.35	598.02
Assets held for disposal	1.35	-	0.01	1.34	1.34	0.10	0.10	1.34	-	0.01
Current Year	2913.79	41.77	13.82	2941.74	2315.76	90.87	13.24	2393.39	548.35	598.03
Previous Year	2908.40	24.55	19.16	2913.79	2243.79	88.60	16.63	2315.76	598.03	

- Title/Lease Deed for land acquired at Nangal (₹0.93 crore), Vijaipur (₹4.36 crore), Bathinda (₹0.15 crore), Building at Scope Complex, New Delhi (₹2.07 crore) and Land/Building at Bhopal (₹0.38 crore) are pending execution.
- 325.70 acres of land at Nangal (₹ 0.01 crore) had been symbolically possessed by the Punjab Government on 29.10.1998 without determination of consideration. Though the ownership of the entire land including 325.70 acres vests with the Company, however, the physical possession of 325.70 acres of land is with its erstwhile owners.
- Consequent upon the implementation of Feed Stock changeover Projects and its expected completion during 2012-2013, depreciation on plant & machinery expected to be replaced has been charged over the reduced residual life and accordingly during the year, in respect of plant & machinery, depreciation provided is higher by ₹0.82 crore (previous year ₹0.84 crore) in the accounts.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTE: 12 INTANGIBLE ASSETS

₹ Crore

DESCRIPTION	Gross Block				Amortization				Net Block	
	1 st April, 2011	Additions	Deductions/ Adjustments	31 st March, 2012	1 st April, 2011	For the year	On Deductions/ Adjustments	Upto 31 st March, 2012	As at 31 st March, 2012	As at 31 st March, 2011
Computer Software	1.61	0.72	-	2.33	0.63	0.43	-	1.06	1.27	0.98
Licence and Know-how	14.14	-	-	14.14	14.14	-	-	14.14	-	-
Current Year	15.75	0.72	-	16.47	14.77	0.43	-	15.20	1.27	0.98
Previous Year	15.64	0.11	-	15.75	14.45	0.32	-	14.77	0.98	

₹ Crore

NOTE : 13 CAPITAL WORK-IN-PROGRESS

Buildings		
Plant and Machinery		
Capital Stores		
Expenditure during Construction period pending allocation		

**As at
31st March 2012**

**As at
31st March 2011**

0.57	0.30
1867.51	383.26
654.86	109.82
130.44	32.18
2653.38	525.56

Reconciliation of Expenditure during construction:

Opening Balance

32.18	6.10
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Expenditure during the year:

Employees' Remuneration & Benefits	6.65	4.40
Power & fuel	2.68	0.43
Project Management fee	7.73	12.15
Other Expenses	2.66	7.59
Depreciation	0.08	0.02
Foreign Exchange Fluctuation *	3.37	-
Finance cost	75.09	1.49

Closing carried over

130.44	32.18
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a. Capital work-in-progress includes amount of ₹2161.52 crore incurred upto 31st March, 2012 relating to feedstock conversion projects from fuel oil to natural gas at Panipat, Nangal and Bathinda units. In terms of Government policy notified on 6th March, 2009, the Company is entitled to capital subsidy after successful commissioning of the projects over a period of 5 years, which shall be appropriately accounted for in terms of the policy.

b. * Addition to capital work in progress under the head Expenditure during construction period includes ₹3.37 crore (previous year ₹Nil) on account of foreign exchange fluctuation on long term loan relating to acquisition of Fixed Assets pursuant to the Company exercising the option under Clause 46 A (i) of AS -11 to treat Foreign Currency Loans as Long Term Foreign Currency monetary items under the Notification number (G.S.R. 914(E) dated 29th December, 2011) issued by the Ministry of Corporate affairs relating to Accounting Standard 11.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE: 14 NON-CURRENT INVESTMENTS (UNQUOTED)		
Investment in joint venture		
180002 Equity shares with face value of ₹10 each fully paid up in Urvarak Videsh Limited	0.18	0.18
Less : Provision for diminution in value of investments	0.15	0.18
	<u>0.03</u>	<u>-</u>
Investment in Co-operative Societies (trade)		
1250 shares with face value of ₹10 each fully paid up in NFL Employees' Consumer co-operative stores	*	*
100 shares with face value of ₹50 each fully paid up in NFL Employees' Consumer co-operative stores	*	*
	<u>*</u>	<u>*</u>
Aggregate amount of unquoted investments	0.18	0.18
Aggregate provision for diminution in value of investments	(0.15)	(0.18)
	<u>0.03</u>	<u>*</u>

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

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 15 LONG TERM LOANS AND ADVANCES		
Unsecured, considered good unless otherwise stated		
Capital advances A	65.00	128.59
Loans to employees (including interest accrued)		
Secured, considered good B	17.23	16.40
Security Deposits C	12.79	3.44
Advances		
Employees	4.44	3.52
Others	16.25	0.14
D	<u>20.69</u>	<u>3.66</u>
Total (A+B+C+D)	<u>115.71</u>	<u>152.09</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012		₹ Crore As at 31 st March 2011	
NOTE : 16 OTHER NON-CURRENT ASSETS				
Unamortized premium on foreign currency forward contracts		0.83		-
		<u>0.83</u>		<u>-</u>
NOTE : 17 INVENTORIES (as Certified by the Management)				
Raw materials (refer Note 24)	149.27		108.21	
Add: In transit	28.41	177.68	9.88	118.09
Packing Materials	9.16		5.16	
Add: In transit	1.18		0.50	
Less: Provision	0.04	10.30	0.04	5.62
Stores and spares	174.89		141.21	
Add: In transit	12.81		13.23	
Less: Provision	1.26	186.44	1.37	153.07
Semi-finished goods (refer note 25)		18.04		21.89
Finished goods (refer note 25)	32.20		39.69	
Add: In transit	92.16	124.36	24.78	64.47
		<u>516.82</u>		<u>363.14</u>

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

	As at 31 st March 2012		₹ Crore As at 31 st March 2011	
NOTE : 18 TRADE RECEIVABLES				
Debts outstanding for a period more than six months from the date they are due for payment				
Subsidy (Government of India)	25.00		17.73	
Others	11.93	36.93	12.11	29.84
Other debts				
Subsidy (Government of India)	2308.82		1479.64	
Others	93.83	2402.65	104.80	1584.44
Less: Provision for doubtful receivables		11.86		12.83
Total		<u>2427.72</u>		<u>1601.45</u>
Aggregate of trade receivables:				
Unsecured, considered good (including debts backed by bank guarantees ₹4.69 crore, previous year ₹3.23 crore)		2427.72		1601.45
Unsecured, considered doubtful		11.86		12.83
Less: Provision for doubtful receivables		11.86		12.83
		<u>2427.72</u>		<u>1601.45</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 19 CASH AND CASH EQUIVALENTS		
Balances with banks:		
Current accounts	0.41	25.44
Unpaid dividend account	0.03	0.04
Margin money against bank guarantees	1.00	-
Cash in hand	0.10	0.11
Cheques in hand/remittances in transit	1.23	3.85
	<u>2.77</u>	<u>29.44</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

		As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE : 20 SHORT TERM LOANS AND ADVANCES			
Unsecured, considered good unless otherwise stated			
Loans to employees (including interest accrued)			
Secured, considered good	A	3.25	4.28
Security Deposits	B	2.55	1.84
Advances			
Contractors		0.72	0.77
Suppliers #		160.02	137.66
Employees *		6.14	6.56
Claims recoverable		12.24	11.69
Balances with customs and excise authorities		1.47	0.47
Tax refunds		58.18	48.35
Tax (net of provision)		17.69	1.52
Fixed deposit as case property		1.32	1.32
Others		15.76	19.10
		273.54	227.44
Unsecured, considered good from above		136.42	91.57
Unsecured, considered doubtful from above		137.12	135.87
Provision for doubtful advances		(7.48)	(6.23)
Provision for doubtful advances appropriated from reserve		(129.64)	(129.64)
	C	136.42	91.57
Total (A+B+C)		142.22	97.69

* Includes amount due from Directors - ₹ 23000/- (Previous year ₹ NIL)

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

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

		As at 31 st March 2012	₹ Crore As at 31 st March 2011
NOTE: 21 OTHER CURRENT ASSETS			
Unamortized premium on foreign currency forward contracts		0.56	-
		0.56	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

₹ Crore

	Year ended 31 st March 2012	Year ended 31 st March 2011
NOTE : 22 REVENUE FROM OPERATIONS		
Sale of products		
Finished goods	1955.01	1853.79
Traded goods	22.72	32.47
	(a) 1977.73	1886.26
Other operating revenue		
Subsidy from Government of India:		
Finished goods (Urea)		
Price subsidy	5113.37	3626.45
Freight subsidy	249.43	213.59
	5362.80	3840.04
Traded goods (Muriate of potash)		
Price subsidy	-	72.70
Freight subsidy	-	5.03
	-	77.73
Total subsidy	(b) 5362.80	3917.77
Revenue from operations (gross) (a)+(b)	7340.53	5804.03
Less: Excise duty	35.24	13.00
Revenue from operations (net)	7305.29	5791.03
Details of products sold (including subsidy)		
Finished goods		
Urea	7111.66	5558.62
Sulphur	11.54	7.69
Others	159.37	114.52
	7282.57	5680.83
Traded goods		
Seeds	20.81	9.41
Muriate of potash	-	99.92
Others	1.91	0.87
	22.72	110.20
	7305.29	5791.03
Subsidy includes subsidy for the earlier years notified during the current year		
Price Subsidy (Urea)	0.56	(30.87)
Freight Subsidy (Urea)	22.63	7.59
	23.19	(23.28)

() indicates debit items

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE : 23 OTHER INCOME		
Interest Income		
Term Deposits	0.60	3.24
Fertilizer Companies GoI Special Bonds	-	2.71
Loan to employees	1.52	1.26
Others	2.52	3.63
(A)	4.64	10.84
Other non-operating income		
Rent	13.03	12.13
Liabilities/provisions no longer required written back	1.16	3.84
Miscellaneous income	18.54	17.41
(B)	32.73	33.38
(A+B)	37.37	44.22

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE: 24 COST OF MATERIAL CONSUMED		
Raw Material		
Inventory at the beginning of the year	118.09	141.16
Purchases	4459.50	3269.28
	4577.59	3410.44
Less: Inventory at the end of the year	177.68	118.09
Cost of raw material consumed	4399.91	3292.35
Packing material	91.23	84.89
Stores and spares	35.15	24.66
	4526.29	3401.90
Itemwise break up of raw material consumed		
LSHS	2506.52	1915.86
Fuel Oil	556.04	364.49
Natural Gas	1326.74	1008.80
Others	10.61	3.20
	4399.91	3292.35

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31 st March 2012	Year ended 31 st March 2011	₹ Crore (Increase)/ Decrease
NOTE: 25 (INCREASE/DECREASE IN INVENTORIES)			
Opening inventories			
Traded goods	-	-	-
Work-in-progress	21.89	13.48	8.41
Finished goods	64.47	30.97	33.50
	<u>86.36</u>	<u>44.45</u>	<u>41.91</u>
Closing inventories			
Traded good	-	-	-
Work-in-progress	18.04	21.89	(3.85)
Finished goods	124.36	64.47	59.89
	<u>142.40</u>	<u>86.36</u>	<u>56.04</u>
(Increase)/decrease in inventories	(56.04)	(41.91)	(14.13)
Less: Excise duty amount included in change in inventories	0.03	(0.63)	0.66
Net (Increase)/decrease in inventories	<u>(56.07)</u>	<u>(41.28)</u>	<u>(14.79)</u>
a. Details of traded goods purchased			
Seeds	19.96	9.10	
Muriate of Potash	-	97.62	
Others	1.54	0.70	
	<u>21.50</u>	<u>107.42</u>	
b. Details of Inventory			
Work-in-progress	18.04	21.89	
Finished goods			
Urea	121.80	64.05	
Sulphur	1.75	0.03	
Others	0.81	0.39	
	<u>124.36</u>	<u>64.47</u>	

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE: 26 EMPLOYEE BENEFIT EXPENSE		
Salaries, wages and bonus	279.42	266.14
Contribution to provident and other funds	35.73	33.27
Contribution to gratuity fund	4.18	8.74
Welfare expenses	88.50	78.81
	<u>407.83</u>	<u>386.96</u>
Expenses not included above and charged to	6.65	4.40

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31st March 2012	₹ Crore Year ended 31st March 2011
NOTE: 27 POWER AND FUEL		
Purchased power	137.53	113.22
Coal	577.18	548.78
Fuel oil	645.91	383.25
Natural gas	239.80	190.03
Others	18.31	13.49
	<u>1618.73</u>	<u>1248.77</u>
Expenses not included above and charged to expenditure during construction	2.68	0.43
Does not include employee benefits which are included in the natural head		

	Year ended 31st March 2012	₹ Crore Year ended 31st March 2011
NOTE: 28 REPAIR AND MAINTENANCE		
Plant and machinery	66.96	61.37
Buildings	7.03	6.25
Others	6.32	6.58
	<u>80.31</u>	<u>74.20</u>
Does not include employee benefits which are included in the natural head but includes components of Stores and Spares		

	Year ended 31st March 2012	₹ Crore Year ended 31st March 2011
Note: 29 FINANCE COSTS		
Interest :		
Working capital loans	54.56	4.09
Short term loans	9.18	3.47
Others	2.50	1.59
	<u>66.24</u>	<u>9.15</u>
Does not include Finance costs (including exchange difference to the extent considered as adjustment to borrowing cost) charged to expenditure during construction	75.09	1.49

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE: 30 DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation on tangible assets	90.79	88.58
Amortization of intangible assets	0.43	0.32
	<u>91.22</u>	<u>88.90</u>
Depreciation not included above and charged to expenditure during construction	0.08	0.02

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE : 31 OTHER EXPENSES		
Rent	3.79	4.08
Rates and taxes	4.30	2.65
Insurance	7.72	5.97
Auditors' remuneration (refer details below)		
Audit Fee	0.13	0.10
Tax Audit Fee	0.04	0.04
Certification and other fee	0.05	0.05
Out of pocket expenses	0.03	0.02
	<u>0.25</u>	<u>0.21</u>
Cost Audit Fee	0.02	0.02
Security Expenses	26.77	24.01
Printing and Stationer	1.33	1.47
Advertisement, Publicity and Sales Promotion	2.56	2.38
Directors' Fees	0.01	0.03
Telephone and Postage	1.37	1.46
Travelling	15.72	16.45
Water Charges	13.99	13.48
Provision for:		
Diminution in carrying cost of Investments	-	0.03
Doubtful debts	-	0.67
Doubtful advances	1.36	4.25
Stores and spares	-	(0.29)
	<u>1.36</u>	<u>4.66</u>
Loss on Sale of Investments	-	1.14
Write Offs:		
Stores and spares	4.26	4.28
Others	0.35	0.82
	<u>4.61</u>	<u>5.10</u>
Legal Expenses	0.97	1.06
Bank Charges	3.38	3.43
Demurrage and Wharfage	3.41	2.92
Exchange rate variation (net)	2.00	(1.92)
Loss on sale of Fixed Assets (Net)	0.05	0.02
Cash Discounts	2.45	3.73
Miscellaneous expenses	32.15	17.45
	<u>128.21</u>	<u>109.80</u>
Does not include expenses charged to expenditure during construction	13.76	19.74

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	Year ended 31 st March 2012	₹ Crore Year ended 31 st March 2011
NOTE: 32 EARNING PER EQUITY SHARE:		
Profit after Tax (₹Crore)	126.73	138.50
Average Number of Equity shares	490578400	490578400
Face value per share (₹)	10	10
Basic Earnings per share (₹)	2.58	2.82
<p>The Company has not issued any security which will have the effect of diluting earnings on equity.</p>		

SIGNIFICANT ACCOUNTING POLICIES & GENERAL ADDITIONAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Statements

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

1.2 Use of Estimates

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

1.3 Fixed Assets

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

Fixed Assets acquired out of capital grants are treated on the basis of capital approach and are accounted for net of grants received.

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

1.4 Impairment of Assets

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

1.5 Borrowing Costs

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

1.6 Depreciation/Amortization

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

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

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

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

1.7 Investments

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

1.8 Inventories

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

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

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

Scrap and wastes are not valued.

1.9 Foreign Currency Transactions

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

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

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

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

1.10 Employees Benefits

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

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

1.11 Adjustments pertaining to prior period and prepaid expenditure

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

1.12 Revenue Recognition

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

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

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

Sale of scrap/ waste materials is recognized on disposal.

1.13 Claims

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

1.14 Leases

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

1.15 Deferred Tax

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

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

1.16 Earning Per Share

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

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31st March 2012	₹ Crore As at 31st March 2011
2. CONTINGENT LIABILITIES		
Claims against the Company not acknowledged as debts		
a Pending Appellate/Judicial decisions:		
Income tax	269.00	201.31
Purchase tax	59.23	59.23
Excise, customs and service tax	6.04	7.37
VAT	0.14	-
Land compensation/development claims	3.86	13.69
Arbitration and civil cases	37.77	29.23
b. Other claims	1.20	1.18
c. Claims in respect of legal cases filed against the company for labour and other matters, amount whereof is not ascertainable		
	<u>377.24</u>	<u>312.01</u>
3 CAPITAL AND OTHER COMMITMENTS		
(i) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances). The amount as at 31 st March 2012 includes Project contracts relating to changeover of feedstock from Fuel oil to natural gas at Nangal, Panipat and Bathinda unit ₹1171.03 crore (previous year ₹ 2949.41crore) and energy saving & capacity enhancement project at Vijaipur ₹74.25 crore (previous year ₹192.17crore).	1676.06	3165.86
(ii) Unutilized amount of Letter of Credit	216.93	179.03
4 DISCLOSURE AS PER ACCOUNTING STANDARDS		
4.1 AS-5 Net profit or loss for the period, prior period items and changes in accounting policies		
4.1.1 Disclosure regarding prior period items:		
Prior period items (net)		
Depreciation	0.25	-
Exchange rate variation	0.77	-
Interest earned	-	0.02
Other expenses	-	(0.08)
	<u>1.02</u>	<u>(0.06)</u>
() indicates debit items		
4.1.2 Disclosure regarding material changes in accounting estimates:		
Change in estimate of Subsidy for the earlier years notified during the year		
Price Subsidy (Urea)	0.56	(30.87)
Freight Subsidy (Urea)	22.63	7.59
	<u>23.19</u>	<u>(23.28)</u>
() indicates debit items		

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

4.2 AS-15 (REVISED): EMPLOYEE BENEFITS

4.2.1 General description of defined benefit schemes:

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

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

₹ Crore

	Gratuity		EL		HPL		PRMB		PRSB		LSA	
	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11

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

1 Present value of projected benefit obligations at beginning of the year	174.94	162.15	59.30	54.23	42.95	38.65	51.68	44.69	1.00	0.93	0.77	0.78
2 Service Cost	6.85	6.53	2.74	2.84	1.86	1.87	1.39	1.31	0.04	0.05	0.03	0.02
3 Past Service Cost	-	-	-	-	-	-	0.11	0.12	-	-	-	-
4 Interest Cost	13.38	12.61	4.61	4.26	3.34	3.04	4.17	3.65	0.08	0.07	0.06	0.06
5 Actuarial (Gains) / Losses	(1.01)	4.76	21.41	20.67	0.75	1.60	5.10	3.12	(0.04)	-	(0.06)	-
6 Benefits Paid	(15.43)	(11.11)	(26.01)	(22.70)	(3.14)	(2.21)	(1.38)	(1.21)	(0.05)	(0.05)	(0.11)	(0.09)
7 Present value of projected benefit obligations at close of the year [1 to 6]	178.73	174.94	62.05	59.30	45.76	42.95	61.07	51.68	1.03	1.00	0.69	0.77
8 Fair Value of Plan assets at close of the year	(171.01)	(170.69)	-	-	-	-	-	-	-	-	-	-
9 Net Liability recognized in Balance Sheet at close of the year (7-8)	7.72	4.25	62.05	59.30	45.76	42.95	61.07	51.68	1.03	1.00	0.69	0.77

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

₹ Crore

Gratuity		EL		HPL		PRMB		PRSB		LSA	
11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11	11-12	10-11

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

1 Fair value of plan assets at beginning of the year	170.69	166.64	-	-	-	-	-	-	-	-	-
2 Acquisition adjustment	-	-	-	-	-	-	-	-	-	-	-
3 Expected Return on plan assets	15.04	15.16	-	-	-	-	-	-	-	-	-
4 Actual Company's contribution	-	-	-	-	-	-	-	-	-	-	-
5 Actuarial Gains/(Losses)	-	-	-	-	-	-	-	-	-	-	-
6 Benefits Payments	(14.72)	(11.11)	-	-	-	-	-	-	-	-	-
7 Fair value of plan assets at close of the year	171.01	170.69	-	-	-	-	-	-	-	-	-
8 Present value of defined benefit obligation	178.73	174.94	-	-	-	-	-	-	-	-	-
9 Net liability recognized in the Balance Sheet at close of the year (8-7)	7.72	4.25	-	-	-	-	-	-	-	-	-

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

1 Service Cost	6.85	6.53	2.74	2.84	1.86	1.87	1.39	1.31	0.04	0.05	0.03	0.02
2 Past Service Cost	-	-	-	-	-	-	0.11	0.12	-	-	-	-
3 Interest Cost	13.38	12.61	4.61	4.26	3.34	3.04	4.17	3.65	0.08	0.07	0.06	0.06
4 Actuarial (Gains) / Losses	(1.01)	4.76	21.41	20.67	0.75	1.60	5.10	3.12	(0.04)	-	(0.06)	-
5 Expected return on Plan Assets	(15.04)	(15.16)	-	-	-	-	-	-	-	-	-	-
6 Total charged to P&L Account	4.18	8.74	28.76	27.77	5.95	6.51	10.77	8.20	0.08	0.12	0.03	0.08

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

	Increase in inflation rate		Decrease in inflation rate	
	11-12	10-11	11-12	10-11
1 Increase/(Decrease) on aggregate service and interest cost of post retirement medical benefits	0.99	0.90	(0.80)	0.73)
2 Increase/(Decrease) in present value of closing defined benefit obligations	10.09	8.27	(8.21)	(6.78)

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

	As at 31 st March, 2012	As at 31 st March, 2011
(v) Actuarial assumptions:		
1 Method used	Projected Unit credit	Projected Unit credit
2 Discount Rate (per annum)	8.60%	8.10%
3 Estimated rate of return on plan assets (applicable only on Gratuity)	9.50%	9.50%
4 Mortality Rate	Indian assured lives mortality (1994-96) modified ultimate	Indian assured lives mortality (1994-96) modified ultimate
5 Withdrawal Rates (per annum) upto 30 / 44 and above 44 years	Executives and Non Executives 3%/2%/1%, depending upon age	Executives and Non Executives 3%/2%/1%, depending upon age
6 Medical Cost Trend Rates (per annum)	8.00%	8.00%
7 Salary escalation taking into account inflation rate, seniority, seniority, promotion and other relevant factors	5.50%	5.50%

Note:

- The company has funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is mainly based on the information given by the insurance companies through whom the investment have been made by the fund. Gratuity liability of ₹ 7.72 crore is unfunded as on 31st March, 2012.
- The defined benefit obligations, other than gratuity are unfunded.

4.2.3 Other Employee Benefit Schemes:

Provision of ₹1.44 crore (Previous year ₹3.07 crore) towards Employees' Family Economic Rehabilitation Scheme and Social Security Benefits scheme has been made on the basis of actuarial valuation and charged to the Statement of Profit & Loss. A net liability of ₹13.09 crore has been recognized in the Balance Sheet as at 31st March 2012 on account of these schemes.

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

4.3 AS-17: SEGMENT REPORTING

4.3.1 Business Segments:

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

4.3.2 Geographical Segment:

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

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

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

₹ Crore

	Year ended	
	31 st March 2012	31 st March 2011
Segment Revenue (net Sales)		
Urea	7111.66	5558.62
Other Products	226.52	238.15
Less: Inter Segment Revenue	32.89	5.74
Total Segment Revenue	7305.29	5791.03
SEGMENT RESULTS		
Urea	207.49	192.54
Other Products	73.11	43.63
Total Segment Results	280.60	236.17
Less: Unallocable Expenses (Net of Unallocable Income)	30.16	23.10
Less : Interest expenses	66.24	9.15
Profit Before Tax	184.20	203.92
Provision for Tax	57.47	65.42
Profit After Tax	126.73	138.50
Segment Assets		
Urea	3548.45	2580.35
Other Products	34.02	28.45
Unallocable	2827.19	759.58
Segment Assets	6409.66	3368.38
Segment Liabilities		
Urea	795.83	917.10
Other Products	13.89	12.51
Unallocable	3845.51	766.59
Segment Liabilities	4655.23	1696.20
Capital Expenditure		
Urea	41.94	22.23
Other Products	-	-
Unallocable	0.55	2.43
Capital Expenditure	42.49	24.66
Depreciation and Amortisation		
Urea	88.90	86.43
Other Products	0.74	0.96
Unallocable	1.58	1.51
Depreciation and Amortisation	91.22	88.90
Non-cash expenses other than Depreciation and Amortisation		
Urea	4.58	9.57
Other Products	-	0.17
Unallocable	3.43	1.18
Non-cash expenses	8.01	10.92

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

4.4 AS-18: RELATED PARTY DISCLOSURES

A) Nature of Relationship Joint Venture	Name of the Related Party Urvarak Videsh Limited
B) Nature of Relationship Key Management Personnel	Name of the Related Party (i) Shri Sham Lal Goyal Chairman & Managing Director (C&MD), w.e.f. 23 rd December, 2011 (ii) Shri Satish Chandra, Chairman & Managing Director (C&MD), w.e.f. 31 st March, 2011 to 22 nd December, 2011 (iii) Ms. Neeru Abrol, Director (Finance) (iv) Shri Rajesh Kumar Aggarwal, Director (Technical) (v) Capt. P. K. Kaul, Director (Marketing)

C) Transactions with Related parties:

- (i) There is no transaction with related party at A) above except investment of ₹ Nil crore towards its paid-up capital during the year (previous year ₹0.03 crore). Against total investment of ₹0.18 crore as on 31st March, 2012, provision of ₹ 0.15 crore has been made in the Accounts on account of diminution in value of investments).
- (ii) Remuneration to Key Management Personnel at B) above is ₹0.86 crore (Previous year ₹0.77 crore) which does not include remuneration to Key Management Personnel at (i) and (ii) above who have been given additional charge of the Company by GOI.

4.5 AS-19: LEASES

4.5.1 Assets taken on Operating lease:

The Company's significant leasing arrangements are in respect of operating leases of premises for offices, godowns, residential use of employees and vehicles. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable. Note: 26 Employee benefit expense remuneration and benefits include ₹0.19 crore (Previous year ₹0.26 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices, godowns and vehicles, ₹3.32 crore (Previous year ₹3.62 crore) are shown in Note: 31-Other expenses.

4.5.2 Assets given on Operating lease:

The Company has given office premises (Non-Factory Building) on operating lease. The details of such leased premises as required by AS-19 are as follows:

	₹Crore
(i) Original Cost	3.80
(ii) Accumulated depreciation upto 31 st March 2012	1.22
(iii) Net Written Down Value as at 31 st March 2012	2.58
(iv) Depreciation recognized in Statement of Profit & Loss for the year ended 31 st March 2012	0.07
(v) Impairment losses recognized in Statement of Profit & Loss for the year ended 31 st March 2012	-
(vi) Impairment losses reversed in Statement of Profit & Loss for the year ended 31 st March 2012	-

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

4.6 AS-27: FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES

4.6.1 The disclosure of Company's interest in Joint Venture entity in terms of Accounting Standard-27 issued by the Institute of Chartered Accountants of India is as under:

- (i) Name of the Joint Venture entity: 'Urvarak Videsh Limited'
- (ii) Co-Joint Venture companies: Krishak Bharti Co-operative Ltd. and Rashtriya Chemicals & Fertilizers Ltd. as equal partners.
- (iii) Company has an investment of ₹0.18 crore towards paid up equity capital representing one third share.
- (iv) The Company's share of ownership interest assets, liabilities, income, expenses, contingent liabilities and capital commitment in the Joint Venture Company, incorporated in India, are given below:

₹ Crore

Year	% of Company's ownership interest	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
2011-12	33%	0.034	0.001	0.003	0.003	-	-
2010-11	33%	0.035	0.001	0.001	0.003	-	-

4.7 AS-28: IMPAIRMENT OF ASSETS

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

- 4.8 In terms of notification No. G.S.R 914(E) dated 29th December, 2011 relating to AS 11 issued by Ministry of Corporate affairs and consequent upon exercising of option by the company to treat long term foreign currency loan as long term foreign currency monetary items as per Clause 46A (i) of AS-11, an amount of ₹3.37 crore has been included in the CWIP and profit are higher by ₹3.37 crore due to change in accounting policy.

5 DETAILS OF MANUFACTURED AND TRADED GOODS (INCLUDING SUBSIDY)

₹ Crore

	Year ended 31 st March 2012	As at 31 st March 2012	As at 31 st March 2011
Manufactured goods (A)	Sales Value	Closing Inventory	Closing Inventory
Urea	7111.66	121.80	64.05
Sulphur	11.54	1.75	0.03
Others	159.37	0.81	0.39
	7282.57	124.36	64.47
Traded Goods (B)			
Seeds	20.81	-	-
Others	1.91	-	-
	22.72	-	-
Total (A+B)	7305.29	124.36	64.47

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

6 DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

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

	As at 31 st March 2012	₹Crore As at 31 st March 2011
(i) The principal amount remaining unpaid to suppliers	0.39	0.91
(ii) The interest due thereon remaining unpaid	-	-
(iii) The amount of interest paid in terms of Section 16 of the Act, along with the amount of the payment made to the supplier beyond the appointed day.	-	-
(iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
(v) The amount of interest accrued during the year and remaining unpaid at the end of the year	-	-
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

7 EXPENDITURE INCURRED IN FOREIGN CURRENCY

(on accrual basis)

Consultancy & professional charges
Interest
Others

Current year

103.18
1.60
0.41

105.19

₹Crore Previous year

77.26
-
0.20

77.46

8 VALUE OF IMPORT

(calculated on CIF basis)

Capital goods
Components and spare parts

209.18
5.34

214.52

9.42
7.36

16.78

9 VALUE OF RAW MATERIAL CONSUMED

Indigenous

Current Year

₹Crore %
4399.91 100.00

Previous year

₹Crore %
3292.35 100.00

10 VALUE OF STORES AND SPARES CONSUMED

Indigenous
Imported

8.72 15.51
47.49 84.49
56.21 100.00

7.10 15.15
39.78 84.85
46.88 100.00

GENERAL INFORMATION TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

11 REMITTANCE IN FOREIGN CURRENCIES FOR DIVIDENDS

The Company has not remitted any amount in foreign currencies on account of dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividend for the year 2010-11 paid in current year on account of non-resident shareholders in Indian rupees are as under:

	Current year	Previous year
Dividend (2010-11)		
a) Number of non resident shareholders	94	103
b) Number of ordinary shares held by them	62898	70399
c) Amount of Dividend (₹ in Crore)	0.01	0.01

12 REMUNERATION TO DIRECTORS

	₹Crore	₹Crore
Salaries	0.51	0.59
Company's contribution to PF and other funds	0.05	0.08
Leave	0.07	0.06
Estimated value of perquisites	0.23	0.04
	0.86	0.77

Note:

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

13 AS PER REQUIREMENTS OF THE LISTING AGREEMENTS WITH THE STOCK EXCHANGES, THE REQUISITE DETAILS OF LOANS AND ADVANCES IN THE NATURE OF LOANS GIVEN BY THE COMPANY ARE AS UNDER:

- (i) There are no loans and advances in the nature of loans to any subsidiary.
 - (ii) No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and
 - (iii) There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.
- 14** Debit/Credit balances of some of the parties are in the process of confirmation/ reconciliation.
- 15** Figures of previous year have been re-arranged / regrouped / re-cast, wherever necessary and to comply with the requirement of revised Schedule VI of the Companies Act.

For and on behalf of the Board of Directors

TEK CHAND COMPANY SECRETARY	NEERU ABROL DIRECTOR (FINANCE)	SHAM LAL GOYAL CHAIRMAN & MANAGING DIRECTOR
---------------------------------------	--	---

As per our report of even date attached

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

ANIL K. THAKUR
PARTNER
MEMBERSHIP NO. 88722

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

SANJAY JAIN
PARTNER
MEMBERSHIP NO. 84906

Place: New Delhi
Date: 28th May, 2012

Auditors' Report

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

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

To the Members of

National Fertilizers Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of National Fertilizers Limited, which comprise the Balance Sheet as at March 31, 2012, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;

- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Forming an Opinion and Reporting on Financial Statements

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

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

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

(SANJAY JAIN)
PARTNER
(Membership no. 84906)

Place: New Delhi
Date: 28th May, 2012

ANNEXURE TO THE AUDITORS' REPORT

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

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

Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other statutory dues. According to the information and explanations given to us, no undisputed amounts remain payable in respect of such statutory liabilities as at 31st March, 2012 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the particulars of the disputed dues as at 31.03.2012 which have not been deposited on account of matters pending in appeal before appropriate authorities are as under :

Name of the Statute	Nature of the Dues	Amount Involved (₹ Crore)	Forum where the dispute is pending
Income Tax Act'1961	Income Tax	83.26	High Court since 2008-09
		9.32	Income Tax Appellate Tribunal since 2008-09
		114.73	Commissioner of Income Tax (Appeals) since 2008-09
Central Excise Act'1944	Excise Act	1.04	Central Excise Service Tax Appellate Tribunal since 2008-09
		2.47	Adll Commissioner Central Excise, Chandigarh since 2011-12
		2.55	Commissioner Central Excise, Chandigarh since 2011-12
Finance Act 1994 Service Tax	Service Tax	0.58	Adll Commissioner Central Excise, Indore since 2006-07
Punjab VAT Act'2005	VAT	0.14	Dy. Excise and Taxation Commissioner (Appeal), Patiala since 2011-12
MP Commercial Tax Act'1994	Purchase Tax	59.23	Supreme Court of India since April 2012
		1.30	Commercial Tax Appellate Board, Bhopal since 2006-07
Haryana Local Area Development Tax Act'2000	Entry Tax	6.72	Joint Excise Taxation Commissioner Rohtak since 2004-05
Total		281.34	

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

Forming an Opinion and Reporting on Financial Statements

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

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

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

(SANJAY JAIN)
PARTNER
(Membership no. 84906)

Place: New Delhi
Date: 28th May, 2012

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NATIONAL FERTILIZERS LIMITED FOR THE YEAR ENDED 31st MARCH 2012.

The preparation of financial statements of National Fertilizers Limited for the year ended 31st March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body The Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28th May, 2012.

I on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of National Fertilizers Limited for the year ended 31st March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement of Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

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

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

Place: New Delhi
Dated: 05.07.2012

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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

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

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

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

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

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

2. BOARD OF DIRECTORS

2.1 Size of the Board

The Company is a Government Company within the meaning of Section 617 of the Companies Act, 1956 as the President of India holds 97.64% of the Paid-up Share Capital. The strength of the Board Members shall not be less than 3 Directors or more than 12 Directors. These Directors may be either Whole-time Functional Directors or Part-time Directors.

2.2 Composition of the Board

The Board of Directors as on 31st March 2012 comprises of seven Directors out of which three are Whole Time Functional Directors and three Government of India nominees and one Independent Director. One Government Nominee Director is holding the additional charge of the post of Chairman & Managing Director. Brief profile of the Directors is set-out elsewhere in the Annual Report.

The Listing Agreement with the stock exchanges stipulates that where the Chairman of the Board is a non Executive Director, at least one third of the Board should comprise of Independent Directors and in case he is an Executive

Director, at least half of the Board should comprise of Independent Directors. During the year, Board's composition was not in accordance with the Listing Agreement as the number of Independent Directors was less than stipulated, as may be observed from the details given below :-

Period		Composition of the Board		
From	to	Total	Independent	Others
01.04.2011	05.05.2011	4	-	4
06.05.2011	11.09.2011	5	1	4
12.09.2011	22.12.2011	6	1	5
23.12.2011	31.03.2012	7	1	6

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

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

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

2.3 Tenure of Directors

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

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

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

2.4 Other details relating to the Board

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

S. No.	Director (S/Shri)	Category	Tenure		In other Boards/Committees		
			From	To	Directorship	Membership	Chairmanship
1.	Sham Lal Goyal	NED-Govt. Nominee	23.12.2011	Continuing	4	-	-
2.	Ms. Neeru Abrol, Director (Finance)	ED	01.10.2007	Continuing	-	-	-
3.	Rajesh Kumar Aggarwal, Director (Technical)	ED	02.06.2010	Continuing	-	-	-

S. No.	Director (S/Shri)	Category	Tenure		In other Boards/Committees		
			From	To	Directorship	Membership	Chairmanship
4.	Capt. Pavan Kumar Kaul, Director (Marketing)	ED	07.02.2011	Continuing	-	-	-
5.	Satish Chandra	NED-Govt. Nominee	27.10.2008	Continuing	2	-	-
6.	Suresh Chandra Gupta	NED-Govt. Nominee	12.09.2011	Continuing	1	-	-
7.	Munikoti Niranjana Rao	NEID	06.05.2011	Continuing	-	-	-

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

Notes:

1. Shri Satish Chandra held the additional charge of Chairman & Managing Director from 31st March, 2011 to 23rd December, 2011.
2. Shri Sham Lal Goyal who has been appointed as Director on 23rd December, 2011 is also holding the additional charge as Chairman & Managing Director w.e.f. 23rd December, 2011.
3. Directors' Profile is given separately.

2.5 Responsibilities

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

2.6 Independent Directors

The independent directors play a vital role in the deliberations at the Board meetings and help with their wide-ranging experience in the fields of finance, audit, etc.

2.7 Board Meetings, Agenda & Minutes

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

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

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

2.8 Meetings held

During the year, 10 meetings of the Board were held on: 30th May, 2011, 12th July, 2011, 28th July, 2011, 12th September, 2011, 4th October, 2011, 24th October, 2011, 20th December, 2011, 6th January, 2012, 30th January, 2012

30th March, 2012. The Annual General Meeting was held on 12th September 2011. Details of attendance at the Board Meetings and Annual General Meeting are as follows:-

DIRECTORS (S/Shri)	Category	Board Meetings during respective tenure of Directors		Attendance at last Annual General Meeting
		Held	Attended	
Sham Lal Goyal	NED – Govt. Nominee	03	03	-
Ms. Neeru Abrol	ED	10	10	Present
Rajesh Kumar Aggarwal	ED	10	09	Present
Capt. Pavan Kumar Kaul	ED	10	10	Present
Satish Chandra	NED-Govt. Nominee	10	09	Present
Suresh Chandra Gupta	NED-Govt. Nominee	07	03	No
Munikoti Niranjan Rao	NEID	10	08	Present

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

Notes: .

1. Shri Suresh Chandra Gupta, Jt. Secretary, Deptt. Of Fertilizers has joined on 12th September, 2011
2. Shri Sham Lal Goyal has joined as Director and has been holding the additional charge as C&MD w.e.f. 23rd December, 2011

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

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

- Annual operating plans and budgets and any updates
- Capital budgets and any updates
- Quarterly Results of the Company
- Annual Accounts, Management Discussion Analysis, Directors' Report etc.
- Minutes of the Meetings of the Audit Committee and other Committees of the Board
- The information on recruitment and remuneration of senior executives just below the Board level, including appointment or removal of Company Secretary
- Major capital investments, formation of Joint Ventures, R&D project or technical collaboration agreement
- Significant labour problems and their proposed solutions. Any significant development in the areas of Human Resources/Industrial Relations like signing of wage agreement, Incentive Schemes, Medical facilities, implementation of Voluntary Retirement Scheme etc.
- Disclosure of Interest by Directors about directorships and committee positions occupied by them in other companies
- Report on compliance of various laws and Information relating to major legal disputes
- Short term Investment of surplus funds
- Status of borrowings

- Any contract(s) in which Director(s) is/are deemed to be interested
- Award of large contracts
- Report on performance of various units/functions
- Review of risk factors including Foreign Exchange transactions
- Report on vigilance activities
- Other materially important information
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Sale of material nature, of investments, satisfactory assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

3. Committees of the Board of Directors

The Board has constituted the following Committees:

- i) Audit Committee
- ii) Shareholders'/Investors' Grievance Committee
- iii) Remuneration Committee
- iv) Share Transfer Committee
- v) Investment Committee
- vi) Disciplinary Committee

3.1 Audit Committee

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

- Periodical review of the accounting policies and practices, financial statements of the Company and reports of the Auditors.
- Periodical discussions with the Auditors and to deliberate upon their findings, suggestions and review of adequacy of Internal Control System, Scope of Audit, Auditors' observations and other related matters besides compliance with Accounting Standards.
- Approval of Internal Audit Programmes and monitoring of their execution.

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

COMPOSITION & ATTENDANCE AT THE MEETINGS

During the year 2011-12, the Audit Committee met on 6 times i.e. 30th May, 2011, 28th July 2011, 4th October, 2011, 24th October, 2011, 20th December, 2011 and 30th January, 2012. In terms of requirement of the listing agreement, two third members of the Audit Committee are to be independent. As per Section 292A of the Companies Act, 1956, the Audit Committee shall have minimum three members and 2/3rd of those shall be other than Managing Director or Whole Time Directors.

During the whole year, the constitution of the Committee was neither as per the requirements of Listing Agreement nor as per Companies Act, 1956. The composition of the Audit Committee and attendance at the meetings during the year 2011-12 was as follows:-

S. No	Name of Director (S/Shri)	Status	Tenure		Meetings during respective tenure	
			From	To	Held	Attended
01	Satish Chandra	Chairman	25.03.2011	10.04.2011	-	-
02.	Munikoti Niranjan Rao	Chairman	11.05.2011	Continuing	6	5
03	Ms. Neeru Abrol	Member	30.01.2008	Continuing	6	6
04	Rajesh Kumar Aggarwal	Member	25.03.2011	Continuing	6	5
05	Capt. Pavan Kumar Kaul	Member	25.03.2011	23.10.2011	4	4
06	Suresh Chandra Gupta	Member	24.10.2011	Continuing	2	-

Note:

The Committee was again reconstituted on 11th May, 2011 whereby Shri Munikoti Niranjan Rao has been appointed Chairman of the Committee in place of Shri Satish Chandra. Again on 24th October, 2011, Committee was reconstituted when Shri Suresh Chandra Gupta, Director was appointed in place of Capt. Pavan Kumar Kaul.

Statutory Auditors, Executive Director (F&A), Head of Internal Audit and other Functional Departments are also invited as Special Invitees. The Company Secretary acts as Secretary of the Committee.

3.2 Shareholders/Investors Grievance Committee

Scope:

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

Composition & Attendance

The composition of the Committee during the year 2011-12 was as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure	
			From	to
01.	Ms. Neeru Abrol	Chairperson	29.07.2010	Continuing
02.	Munikoti Niranjan Rao	Member	11.05.2011	Continuing
03.	Satish Chandra	Member	25.03.2011	10.05.2011
04	Rajesh Kumar Aggarwal	Member	25.03.2011	Continuing

- Ms. Neeru Abrol has been appointed Chairperson of the Committee w.e.f. 25th March, 2011.
- The Committee has again been reconstituted on 11th May, 2011, whereby Sh. Munikoti Niranjan Rao has been appointed as Member in place of Shri Satish Chandra

Summarized information on complaints

There were no complaints pending for redressal as on 31.03.2012. Number of shareholders complaints received and resolved during the period 1st April, 2011 to 31st March, 2012 were 418 as detailed below:-

Quarter ended	Complaints Received	Complaints Resolved	Complaints Pending
30.06.2011	16	16	NIL
30.09.2011	53	53	NIL
31.12.2011	321	321	NIL
31.03.2012	28	28	NIL
Total	418	418	NIL

3.3 Remuneration Committee

Composition & Scope

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

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

In terms of the guidelines of the Department of Public Enterprises, Government of India, every Central Public Sector

Undertakings is required to constitute a Remuneration Committee headed by an Independent Director to decide the Annual Bonus/Variable Pay Pool and policy for its distribution across the executives and non-unionized supervisors. The Board has constituted a Remuneration Committee and the constitution of the Committee was as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure	
			From	to
01.	Satish Chandra	Chairman	25.03.2011	Continuing
02.	Ms. Neeru Abrol	Member	25.03.2011	Continuing
03.	Munikoti Niranjana Rao	Member	11.05.2011	Continuing

No meeting of the Committee was held during the year,

4. Remuneration and Sitting Fee paid to Directors during 2011-12

4.1 Remuneration paid to Executive Directors

(Amount in ₹)

Name of the Director (S/Shri)	Salary including perks	Retirement Benefits	Total
Ms Neeru Abrol	31,11,931	2,92,474	34,04,405
Rajesh Kumar Aggarwal	24,99,862	1,71,628	26,71,490
Capt. Pavan Kumar Kaul	22,80,838	2,32,458	25,13,296
Total	78,92,631	6,96,560	85,89,191

4.2. Sitting Fee paid to Independent Directors

The Non-executive Independent Directors are paid sitting fee of ₹10,000 for attending each meeting of the Board and/or Committee thereof. Sitting fee paid to Independent Directors during 2011-2012 is as follows:-

(Amount in ₹)

Name of the Independent Director	Board Meetings	Audit Committee Meetings	Total
Shri Munikoti Niranjan Rao	80,000	50,000	1,30,000

4.3 Stock Options

The Company has not issued any stock options.

5. General Body Meetings

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

Type of Meeting	Date of Meeting	Time	Place	Details of Special Resolution(s) passed, if any
YEAR 2008-09				
Annual General Meeting	11.9.2009	11.00 AM	Air Force Auditorium, Subroto Park, New Delhi - 110010	Nil
YEAR 2009-10				
Annual General Meeting	9.9.2010	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi – 110010	NIL
YEAR 2010-11				
Annual General Meeting	12.9.2011	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi – 110010	NIL

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

5.3 Extraordinary General Meeting

No Extraordinary General Meeting was held during the year.

6. Disclosures:

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

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

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

8. Compliance Officer

Shri Tek Chand, Company Secretary is the Compliance Officer appointed by the Board.

9. Whistle Blower Policy

Company ever believed in transparency and propriety in its business dealings. To take this object further, Company has put in place a Whistle Blower Policy providing for a mechanism to the employees and other stakeholders to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct or Ethics Policy. The disclosures under the Policy are to be made to Ethics Committee chaired by Director (Finance). In case of conflict of interest, the whistleblower can directly approach the Chairman of the Audit Committee. The policy provides for adequate safeguards against victimization of employees who avail of the mechanism. During the year, no disclosures have been received under the whistleblower mechanism, hence no meeting of the Committee was held.

10. Means of Communication

- Quarterly (unaudited but reviewed) and annual audited financial results of the Company as approved by the Board are submitted to the Stock Exchanges.
- Quarterly/Annual Financial Results for 2011-2012 have been published in prominent newspapers as below :-

Quarter ended	Date of publication	News Paper
30 th June, 2011	29 th July, 2011	Indian Express, Jansatta (Hindi), The Financial Express
30 th September, 2011	26 th October, 2011	Indian Express, Jansatta (Hindi), The Financial Express
31 st December, 2011	31 st January, 2012	Hindustan Times, Mint, Hindustan (Hindi)
31 st March, 2012	29 th May, 2012	Economic Times, Times of India, Nav Bharat Times (Hindi)

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

11. General Shareholder Information

(i) General Body Meeting

Date: 11th September, 2012 at 11.30 AM

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

(ii) Address for Communication:-

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

(iii) Website

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

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

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

iv) Financial Calendar for FY 2012-13

Particulars	Date
Accounting Period	1 st April, 2012 to 31 st March, 2013
Un-audited Financial Results for the first three quarters	Within a period of 45 days from the end of each quarter
Fourth Quarter Results	Audited Results on or before 31 st May, 2013
AGM (Next Year)	September, 2013 (Tentative)

v) Book Closure

The Register of Members and Share Transfer Books will remain closed from 31st August, 2012 to 11th September, 2012 (both days inclusive).

vi) Payment of Dividend

The Board of Directors of the Company has recommended the payment of Dividend of 7.8% (₹0.78 per share of ₹10 each)

The record date for the payment of Dividend is 30th August, 2012.

vii) Listing at Stock Exchanges

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

National Stock Exchange of India Ltd.

Bombay Stock Exchange Limited

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

viii) Market Price Data

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

Month	Stock Prices of the Company		Corresponding BSE SENSEX share price index	
	High (₹)	Low (₹)	High	Low
April, 2011	111.75	105.05	19811.14	18976.19
May, 2011	106.45	99.40	19253.87	17786.13
June, 2011	105.05	89.30	18873.39	17314.38
July, 2011	95.80	86.20	19131.70	18131.86
August, 2011	90.95	73.65	18440.07	15765.53
September, 2011	81.80	67.95	17211.80	15801.01
October, 2011	72.35	65.15	17908.13	15745.43
November, 2011	69.60	54.15	17702.26	15478.69
December, 2011	56.35	45.00	17003.71	15135.86
January, 2012	84.15	51.75	17258.97	15358.02
February, 2012	93.90	81.20	18523.78	17061.55
March, 2012	93.45	69.15	18040.69	16920.61

Face Value per Share is ₹10

ix) Registrar and Share Transfer Agent

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

x) Distribution of Shareholding

Shares held by different type of shareholders as on 31st March, 2012 are given below:-

(a) According to size:

No. of Equity Shares held	Number of shares holders	%age of Total shares held	No. of %age of	Total
(1)	(2)	(3)	(4)	(5)
Upto 500	17810	95.40	1365331	0.28
501 to 1000	481	2.57	394104	0.08
1001 to 2000	190	1.02	293603	0.06
2001 to 3000	56	0.30	145029	0.03
3001 to 4000	33	0.18	120319	0.02
4001 to 5000	25	0.13	116442	0.02
5001 to 10000	30	0.16	228612	0.05
10001 & above	44	0.24	487914960	99.46
Total	18669	100.00	490578400	100.00

(b) Shareholding Pattern

	Category	Number of Shares held	%age of shareholding
(A)	Shareholding of Promoter and Promoter Group (Government of India)		
I	Indian	479000500	97.640
II	Foreign	-	-
	Sub Total	479000500	97.640
(B)	Public shareholding Institutions		
I	Institutions	6079431	1.239
II	Non-institutions	5498469	1.121
	Sub Total	11577900	2.360
	GRAND TOTAL	490578400	100.00

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

Company has not issued any such securities.

(xii) Status of dematerialization of shares as on 31st March, 2012

The shares of the Company are compulsorily traded in dematerialised mode. Company has signed agreements with both the depositories i.e. National Securities Depository Services (India) Limited (NSDL) and Central Depositories Services (India) Ltd. (CDSL). Company offers simultaneous transfer-cum-demat facility to the investors. As on 31st March, 2012, all the shares of the Company were held in dematerialized form except for 48204 shares as per shareholders' request, which form negligible percentage (0.01) of total shares subscribed.

(xiii) Share Transfer System

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

In case of shares held in physical form, the transferred share certificates duly endorsed are dispatched within 15 days from the date of receipt of documents, provided documents are valid and complete in all respects. In compliance of the provisions of Listing Agreement, the share transfer system of the Company is audited by a Practicing Company Secretary and a certificate to that effect is issued by him.

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

Name and addresses of the Depositories are as under:-

1. National Securities Depository Services (India) Limited,

Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.

2. Central Depository Services (India) Limited,

Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street, Mumbai – 400 023.

(xiv) Location of Production Units

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

S.No.	Location
1.	Nangal, Naya Nangal, District Ropar, Punjab-140126. Tel.No.01887-220570 FAX No.01887-220541
2.	Bhatinda : Sibian Road, Bhatinda, Punjab-151003, Tel. No.0164-2270261/2760262 FAX No.0164-2270463/2760270
3.	Panipat : Gohana Road, Panipat, Haryana-132106, Tel. No.0180-2652481-83, 2652485, 2681304 FAX No.0180-2652515
4.	Vijaipur I & II : Vijaipur, District Guna, Madhya Pradesh-473111. Tel.No.07544-273101 FAX No.07544-273089/273109

12. Electronic Clearing Service

The Company through its various communications had requested its members to furnish ECS mandate so as to enable the Company to credit the dividend directly to the shareholder's bank account. The Company has been remitting the dividend through ECS to those shareholders, who have registered their mandate with the Company at the centers where the ECS facility is available. In other cases, the dividend is being paid through dividend warrants with the bank account details printed on the warrants. The Company's endeavour is to remit the dividend through ECS whenever the facilities are available. In the meantime, the members holding shares in physical form desirous of receiving dividend through ECS but who have so far not furnished ECS mandate are requested to submit the mandate form duly filled and signed for registration to the RTA. A format of the form is annexed with this report. Investors holding shares under demat are requested to check their ECS mandate registered with the respective Depository Participants for ensuring correctness for prompt credit of dividend to their account.

13. Code of Conduct and Ethics

The Company has adopted “Code of Conduct and Ethics” for the Directors and Senior Executives of the Company. The object is to conduct the Company’s business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code is available on the Company’s website www.nationalfertilizers.com. All directors and senior management personnel have complied compliance with the Code of Conduct and Ethics as on 31st March, 2012.

Declaration as required under Clause 49 of the Listing Agreement

This is to certify that in line with the requirements of Clause 49 of the Listing Agreement, all the Members of the Board and Senior Management Personnel have affirmed compliance of the Code of Conduct for the financial year ended 31st March , 2012.

New Delhi
25th July, 2012

(Sham Lal Goyal)
Chairman & Managing Director

Code of Insider Trading

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

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

We, Sham Lal Goyal, Chairman & Managing Director and Neeru Abrol, Director (Finance) of National Fertilizers Limited, to the best of our knowledge and belief certify that:-

1. We have reviewed the Balance Sheet and Statement of Profit and Loss and all its schedules and notes on accounts, as well as the Cash Flow Statement of the Company for the year ended 31st March, 2012. To the best of our knowledge and information:-
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading;
 - b. these statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. We also certify that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violate the Company’s code of conduct.
3. The Company’s other certifying officers and we are responsible for establishing and maintaining internal controls for financial reporting and procedures for the Company and we have evaluated the effectiveness of the Company’s internal controls and procedures pertaining to financial reporting.

4. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and through them to the Audit Committee of the Company's Board of Directors.
- a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control over financial reporting during the year;
 - c. Any fraud, which we have become aware of and that involves management or other employees who have a significant role in the Company's internal control system over financial reporting.
 - d. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the accounts.

(NEERU ABROL)
DIRECTOR (FINANCE)

(SHAM LAL GOYAL)
CHAIRMAN & MANAGING DIRECTOR

Place: New Delhi
Date: 25th July, 2012

Directors' Profile

Shri Sham Lal Goyal

Shri Sham Lal Goyal aged about 50 years is a senior IAS Officer of 1986 batch. He has a lot of administrative experience. Shri Goyal joined the Board of Company on 23rd December, 2011 and is also holding the additional charge as Chairman & Managing Director of the Company since 23rd December, 2011. At present Shri Goyal is Joint Secretary with Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India. Shri Goyal is also a Director on the Board of The Fertilizer and Chemicals Travancore Limited (FACT), Rastriya Chemicals & Fertilizers Limited (RCF), KRIBHCO Ltd., ICS Senegal, Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL).

Shri Satish Chandra

Shri Satish Chandra aged about 50 years is a senior IAS officer of 1986 batch. He has a lot of administrative experience. Shri Chandra joined the Board of the Company on 27th October, 2008 and held the additional charge as Chairman & Managing Director, NFL from 31st March, 2011 to 23rd December, 2011. Shri Satish Chandra is also a Director on the Board of Directors of Madras Fertilizers Limited, Indian Potash Limited, OMIFCO and Fertilizer and Chemicals Travancore Limited. Shri Chandra is also Chairman of the Remuneration Committee and a member of the Shareholders/Investors' Grievance Committee of the Company.

Shri Suresh Chandra Gupta

Shri Suresh Chandra Gupta aged about 49 years is a senior IAS Officer of 1986 batch. Before joining IAS, Mr. Gupta worked for Development & Financial Institutions like IDBI, LIC, PNB and UTI. During his first two stints in Central Government, he had handled food security related matters in Union Ministry of Food and Social Sector issues in Ministry of Women and Child Development. He had worked as Director of Hindustan Organic Chemicals Ltd. and Hindustan Insecticides Limited. Presently, he is Joint Secretary with Department of Fertilizers, Government of India. Shri Gupta has varied and rich experience. He is also on the Board of FACT Ltd. and KRIBHCO Ltd. He is also a Member of the Audit Committee of the Company.

Ms. Neeru Abrol

Ms Neeru Abrol aged about 57 years, joined National Fertilizers Limited as Director (Finance) on 1st October 2007. Prior to this, she had been with Steel Authority of India Limited (SAIL) as General Manager (Finance). A Chartered Accountant by profession Ms Abrol embodies an extensive experience spanning over 31 years in the field of Financial Management. At SAIL, she successfully handled various managerial positions. She had been non-executive Director and Chairperson of Urvarak Videsh Limited, a joint venture company of NFL, RCF & KRIBHCO during the period 1st October, 2008 to 30th September, 2009. As Finance Director on the Board of NFL, she is responsible for formulating financial strategies and plan. She oversees the entire gamut of Financial Management in the Company including mobilization of financial resource and optimum utilization of funds. Formulation of company's financial budget, undertaking budgetary controls, ensuring compliance of Company Law and other statutory requirements, internal control systems etc. are some of her other vital areas of operation. She has been conferred with ICAI "Best Business Achiever" Award in Women Category for 2009-10, Scope Award for excellence and outstanding contribution to the Public Sector Management 2009-10 as "Outstanding Women Manager" in CPSEs for the year 2009-10. Ms. Abrol is also a member of the Audit Committee and Remuneration Committee and Chairperson of the Shareholders/Investors' Grievance Committee of the Company. Ms. Abrol chairs the Ethics Committee under the Whistleblower Mechanism to implement the Whistleblower Policy of the Company. Ms. Abrol is also a Member of SCOPE (Standing Conference of Public Enterprises) and a Member on the Board of Directors of Fertilizer Association of India.

Shri Rajesh Kumar Aggarwal

Shri Rajesh Kumar Aggarwal, aged about 59 years took over as Director (Technical) of the Company on 2nd June 2010. Before joining NFL, he was Executive Director, Rashtriya Chemicals & Fertilizers Limited (RCF), Thal Unit. A Chemical Engineer by profession, Shri Aggarwal had been associated with FCI/RCF since 1975. During these years, Shri Aggarwal served in Trombay/Mumbai and Thal units of RCF in various capacities. He is credited for a number of operational and innovative measures at RCF, Thal, which received the prestigious “Best Technical Innovation Award” from FAI. Shri Aggarwal has vast experience in the operations of Fertilizer Plants and has been instrumental in successful implementation and execution of various projects at RCF. Besides RCF, Shri Aggarwal has extended his specialised professional services on behalf of Department of Fertilizers to BVFCL, Namrup and MFL, Chennai to successfully tackle operational difficulties. Shri Aggarwal is a member of Audit Committee and Shareholders/Investors’ Grievance Committee.

Capt. Pavan Kumar Kaul

Capt. Pavan Kumar Kaul, took over as Director (Marketing) of National Fertilizers Limited (NFL) on 7th February, 2011. Prior to joining NFL, Capt. Kaul was Executive Director, Container Corporation of India (CONCOR). Earlier to CONCOR, he was with the Shipping Corporation of India. Capt. Kaul is a Master Mariner, a Post Graduate in Public Administration and a Diploma in Logistics Management. He is 55 years of age. He has brought with him rich experience of Marketing, Business Development, Strategic Planning, Logistics, Project Management, Infrastructure & Cold Chain Development, Shipping, Multi-modal Transportation and Marine technology. He has been a member of the Administrative Staff College of India, Institute of Rail Transport and a member of the CII National Exports Committee. Capt. Kaul is widely travelled.

Shri Munikoti Niranjan Rao

Aged about 63 years, Shri Munikoti Niranjana Rao, is a Practicing Chartered Accountant in Visakhapatnam. He has over 30 years extensive experience in the field of Banking, Taxation, and Financial Management and joined as Independent Director in the company on 6th May, 2011. At Present he is the Chairman of Audit Committee, Member of Remuneration Committee, Shareholders’/Investors’ Grievance Committee, and Appellate Authority for Disciplinary matters.

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

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

CERTIFICATE

To,
The Members of
National Fertilizers Limited

We have examined the compliance of the conditions of 'Corporate Governance' by National Fertilizers Limited for the year ended 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said company with various stock exchanges.

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

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

"During the year 2011-12, Company did not have optimum number of Independent Directors on its Board of Directors and Audit Committee as required under Clause 49 (I)(A) and 49 (II) (A) respectively of the Listing Agreement."

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

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

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

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

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

Sanjay Jain
(Partner)
M. No. 84906

Place: New Delhi
Date: 25th July, 2012

FORM -A

Annexure -V

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY
(Annexure to Directors' Report)

		2011-12	2010-11
A. POWER & FUEL CONSUMPTION			
1. ELECTRICITY			
a)	Purchased		
	Unit	Mwh	
	Total amount	₹ in Lakh	
	Average rate/Unit	₹/Mwh	
		246670	213582
		13900	11109
		5635	5202
b)	Own Generation		
i)	Through diesel generator Unit		
	Unit	Mwh	
	Unit per ltrs. of diesel oil	Mwh/ltrs	
	Cost/Unit	₹/Mwh	
		2.999	1.871
		0.001	0.001
		54963	53635
ii)	Through Steam Turbine/Gas Turbine		
	Unit	Mwh	
	Coal/unit of Power	MT/Mwh	
	Oil/unit of Power	MT/Mwh	
	Gas/unit of Power	000sm ³ /Mwh	
	Cost per Unit	₹/Mwh	
		535546	533457
		0.937	0.997
		0.055	0.040
		0.187	0.192
		4277	3361
iii)	From Waste Steam	Mwh	
		-	-
2. COAL(Slack coal used for operating boilers)			
	Quantity	MT	
	Total cost	₹ in Lakh	
	Average rate	₹/MT	
		1404071	1456361
		47998	45281
		3418	3109
3. FURNACE OIL/LSHS			
	Quantity	MT	
	Total cost	₹ in Lakh	
	Average rate	₹/MT	
		117096	96295
		56316	33927
		48094	35233
4. OTHERS			
	Natural Gas		
	Quantity	000sm ³	
	Total cost	₹ in Lakh	
	Rate/Unit	₹/000sm ³	
		164090	166484
		19071	15436
		11622	9272
	Naphtha		
	Quantity	MT	
	Total cost	₹ in Lakh	
	Rate/Unit	₹ /MT	
		365	1156
		86	272
		23509	23509
B. CONSUMPTION PER UNIT OF PRODUCTION			
i)	Electricity	Mwh	
ii)	Fuel Oil	MT	
iii)	Coal	MT	
iv)	Gas	000sm ³	
v)	Naphtha	MT	
		0.216	0.212
		0.079	0.064
		0.944	0.970
		0.086	0.089
		0.000	0.001

FORM -B

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

A. Technology Absorption

- Revamp of F.O. based units at Nangal, Panipat & Bathinda for changeover of feedstock for Ammonia plant from Fuel Oil/LSHS to NG/RLNG has been taken up at a total investment of ₹ 4,066 crores. M/s. Tecnimont SPA are LSTK contractors for Nangal Unit and M/s. Larsen & Toubro (L&T) are LSTK contractors for Panipat and Bathinda Units. Zero date of the project has been declared as 29th January, 2010 and is scheduled to be completed and commissioned within 36 months. The commissioning of the project at Nangal is scheduled by end of December, 2012 and that of Panipat and Bathinda by January, 2013. The revamp of these plants will improve the process technology, lower effluent discharge due to use of cleaner feed stock and also reduce energy consumption from the present level of 9.5-9.6 GCal/MT of Urea to 7.1 GCal/MT for Nangal, 7.5 GCal/MT for Bathinda and 7.6 GCal/MT for Panipat unit.
- Revamp of boilers for use of cleaner Natural Gas as support fuel in place of Fuel oil at the F.O. based plants is also being implemented.
- Vapour Absorption Machine suction section of air compressor at Vijapur-I is under process of procurement to improve the energy efficiency of the Ammonia-I plant at Vijapur.

B. R&D efforts

- 15 trials on Non-pressure Urea Ammonium Nitrate solution have been laid out at Punjab Agriculture University. 33 trials on use of Liquid Bio-fertilizers have been conducted at Kisan Vikas Kendras.

C. Future Action Plan

- Production of neem coated urea at NFL, Nangal Unit so as to maximize its production from NFL plants.
- Joint ventures with M/s. EIL and M/s. SAIL for setting up mega Ammonia-Urea projects at Ramagundam and Sindri respectively. First Stage clearance of BIFR for these projects is awaited.
- Large scale production of liquid bio-fertilizers at NFL, Vijapur.

D. Energy Conservation Measures

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

Energy Saving Project (ESP) of Ammonia Plant along with capacity augmentation of Urea plant at Vijapur-I has been commissioned on 24th April, 2012. Energy savings to the tune of 0.12 GCal/MT of Urea is expected in addition to increase in production by 16%.

Capacity augmentation project of Vijapur-II unit is likely to be commissioned in July, 2012. In addition to increase in production by 23%, energy savings to the tune of 0.04 GCal/MT of Urea is expected.

Project for installation of Carbon Dioxide Recovery (CDR) plant in Vijapur-I has been commissioned on 23rd May, 2012. This will help in the augmentation of production of Urea and also reduce emission of Green House gases.

Against the approved cost of ₹ 894 crores for the above three projects, the actual estimated expenditure is around ₹ 650 crores.

At Vijapur, scheme for utilization of off gases from MP inert washing columns in Urea plant of Vijapur-I as fuel in CPP boilers has been implemented. This has resulted in saving of 1.4 Gcal/hr energy in terms of Natural Gas fuel amounting to a financial saving of ₹ 1.4 crore annually. Similar scheme for Vijapur-II is under implementation.

E. Foreign Exchange earnings & Outgo (₹ in crore)

Particulars	For the year ended	
	31.03.2012	31.03.2011
Foreign Exchange used:-		
(a) CIF Value of import	214.52	16.78
(b) Other expenditure in foreign currency including Consultancy and Professional charges	105.19	77.46

There was no earnings of foreign exchange during the year.

F. Industrial Safety, Ecology and Pollution Control

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

- All the Units are ISO-9001-2008 certified for Quality Management System and ISO-14001-2004 certified for Environment Management System.
- All the units have received OHSAS-18001 certification for Occupational Health & Safety Management System.
- A Carbon Dioxide Recovery plant of 450 MTPD capacity has been put up at Vijaipur for recovery of Carbon Dioxide from flue gases of Primary Reformer in Vijaipur-I. This will help in reduction in discharge of Greenhouse gases.
- Consultant has been lined up who is evaluating the revamp projects for changeover of feed-stock from FO to NG for consideration under Clean Development Mechanism (CDM) in order to enable NFL to trade equivalent Carbon Credits.
- Silos for collecting fly ash from ESP hoppers using dense phase pneumatic conveying system have been installed at Panipat & Bathinda for evacuation of ash from the plants. Similar system has been commissioned at Nangal recently. These systems have reduced the quantity of ash slurry for disposal and the ecological problem associated in disposal thereof and has also resulted in saving in electrical energy used for pumping the ash slurry.

Report On Sustainable Development

Continuous and excessive use of non-renewable resources like coal, fuel oil, naphtha, natural gas etc. by the industry and for domestic comforts is fast depleting these resources besides leading to generation of pollutants rendering the eco-system fragile. Recognizing the need to balance human economic development with environmental protection, Company has adopted the concept of Sustainable Development.

Company's vision

Company's vision is to provide farmers with sufficient good quality fertilizers and other agri-inputs that provide sustainable development and help India achieve self-sufficiency in food grain production. At present, around 56% of NFL's urea production is based on natural gas, a clean and greener fuel. The remaining production is from fuel oil based plants, which are also undergoing revamp for changeover of feedstock to natural gas.

Sustainable Development Policy

Taking the above initiatives further, Company has put in place a Sustained Development Policy, which will explore use of alternate energy, composting, greening supply chain etc. through well defined short, medium and long term objectives.

Sustainable Technology

Company is implementing Ammonia feedstock changeover projects (AFCP) at Nangal, Panipat and Bathinda Units. Shifting to a cleaner fuel consumption would also result in reducing the consumption of non-renewable energy resources like Coal/FO.

- Before embarking on these projects, a Risk Analysis and Rapid Environmental Impact assessment was got done by an expert agency. The projects were evaluated and appraised by Ministry of Environment and Forests and their consent was obtained.
- Hazard and operability study (HAZOP) was made part of the LSTK contract to analyze operational concerns of the process and provide suitable safety mechanisms in the design stage itself, which minimize the hazards to equipment & personnel.
- Rain water harvesting has been adopted in all these projects.
- State of the art safety practices have been adopted to ensure that the construction and erection activities continuing at the site next to existing continuous operating plant do not hinder and minimum time is required to hook up the new plant with the existing sections that need to be retained
- In line with Zero Effluent strategy following provisions are included in the design stage:
 - Disc oil separation to treat oily water and separate the oil and water
 - Acoustic noise hoods for integral gear Process air compressor to contain noise so that noise levels at the ammonia plant battery limit do not exceed the level of 65 decibels.
 - A flare header system wherein all inflammable gas vents shall be connected to a smokeless type flare stack.

Operational Sustainability

Company remains focused towards achieving sustained energy efficient operation of its ageing manufacturing facilities while maintaining pollution free environment and process safety. Initiatives taken in this regard are as follows:

- Utilization of idle assets: Company identified idle assets lying in other fertilizer units that can be refurbished for future and immediate replacement in its manufacturing units. This has led to savings in energy costs associated with manufacture of a new item whilst utilizing an idle asset.
- Improved energy Efficiency and increased through put: Company is continuously endeavoring to improve the

energy efficiency of its manufacturing Units by improving its operation and maintenance practices, increased through put and implementing energy saving schemes.

- Company has adopted established procedures for involving local communities for contingency planning for environmental and industrial accidents, and maintaining an open exchange of information of local hazards. "On site Emergency Plan" is available in Units, which lays out procedures to face emergency before, during and after the incident in an efficient manner, in minimum time and without loss of human life and property. The procedures are regularly reviewed and updated.

Similarly an "Offsite Emergency Plan" is available, which has been developed to meet any contingency arising out of major accidents/leakage in any of the industrial establishments in that area. The major activities include declaration of emergency, communication to the surrounding population, evacuation plans, medical aid, involvement of civil authorities in controlling the situation etc.

- All manufacturing Units of the Company are ISO 9001-2008, ISO -14001-2004 and OHSAS-18001 certified, which indicate Company's commitment to Quality Management system, Environment Management system and Occupational Health and Safety System

Contribution towards integration of Environment

The growing environment consciousness is deeply integrated in Company's practices. Following initiatives have been taken in this direction.

- Afforestation: Company planted 72781 plants/trees in and around various units/marketing offices in its drive towards leaving a cleaner and greener earth for future generations.
- Replacement of lights with energy efficient lights: In a well chartered strategy ensuring energy efficiency, Panipat Unit has replaced all its tube lights to energy efficient CFL's. Other units of the Company have replaced more than 150 lights in various buildings of plants and Corporate Office with energy efficient CFL.
- Dense fly ash collection system: Silos for collecting fly ash from ESP hoppers using dense phase pneumatic conveying system have been installed at Panipat and Bathinda for evacuation of ash from the plants. Similar system has been commissioned at Nangal recently. These systems have helped to reduce the quantity of ash slurry for disposal and the ecological problem associated therewith and savings in electrical energy used for pumping the same.

Development of sustainable products

- Neem Coated urea : Company has been pioneer for production of environment friendly neem coated fertilizers. During the year 2011-12, Company produced 6.4 lakhs MT of neem coated urea, which besides regulating release of the nutrient Nitrogen also provides the crop with a natural pesticide.
- Manufacture of liquid bio-fertilizers: Bio-fertilizers, more commonly known as microbial inoculants, are artificially multiplied cultures of certain soil organisms that can improve soil fertility and crop productivity. Besides accessing nutrients, bio-fertilizers control soil borne diseases and improve the soil health and soil properties and helps in effectively utilizing chemical fertilizers and result in higher yield rates.
- Company is already producing three types of liquid solid bio-fertilizers namely Rhizobium, Azectobacter, and PSB. In order to increase the shelf life of these fertilizers, liquid bio-fertilizers have been successfully prepared on pilot scale at its Vijaipur plant.
- Crop seed contains inert material that make them unfit for sale without processing. The farmer must get the quality seed that is free from all undesired materials because farmer's entire crop depends on it. Thus, Seed processing is a vital part of the seed production needed to move the improved genetic materials of the plant breeder into commercial channels. With this in view, Company has been selling substantial quantity of seeds sourcing from government agencies. It has been producing certified seeds in pilot projects at selected farms in adopted villages. Company endeavours to produce and market quality seeds of various high yield variety crops under its own brand.

Report on Corporate Social Responsibility

Corporate social responsibility (CSR) is strategic approach towards sustainable community development and is key to inclusive growth. NFL as a socially responsible corporate has been supporting community development programmes covering wide range of welfare activities in rural areas.

The major focus of these programmes is on creating awareness about health and hygiene, children education, women empowerment, skill development for self-employment, use of non-conventional energy resources like solar lights, water conservation, rain water harvesting and ground water recharging. Company during the year 2011-12 undertook the following initiatives:-

INTEGRATED DEVELOPMENT OF VILLAGES

The development of villages is one of the means of returning to the society what has been taken away to achieve industrialization and economic progress. Primarily the underdeveloped villages are selected based on discussions with Agriculture Deptt./BDO/State Govt. Baseline Survey is conducted to identify the developmental needs of the village by specialized agencies / NGOs involving village Panchayat and need based programmes are short listed for development of village. To inculcate sense of ownership and belongingness, villagers are involved in all the activities. Under this project development of six villages i.e. Bamuria (Hoshangabad) & Sendel (Indore) in Madhya Pradesh (M.P.), Baglehar & Malheni in Himachal Pradesh (H.P) and Bamer (Jhansi) and Sisya Nangla (Baduan) in Uttar Pradesh (U.P) were taken up. Projects In M.P. and H.P. have been completed and activities in other villages are under progress.

CHILDREN & WOMEN HEALTH CAMPS

True to saying – Health is Wealth, NFL believe that a healthy population only can bring about the social and economic progress of a nation. Healthcare facilities in rural areas are poor. NFL organised 20 Children and Women Health Camps to create awareness about health and hygiene, at various villages in the states Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Haryana and Maharashtra. Specialist Doctors were invited for free medical check ups and required medicines were also distributed free of cost. Lectures/tips on preventive healthcare were also arranged.

ANIMAL HEALTH CAMPS

Domestic animals are the backbone of rural economy. Company organized animal health camp for farmers cattle. The livestock is vaccinated, cattle are checked for common diseases and medicines are distributed free of cost to the owners. Farmers are trained to look after their livestock by the team of veterinary doctors. 20 Animal Health camps were organized in various villages of Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Haryana, Rajasthan and Maharashtra. 7270 no. of animals were brought to these camps by the farmers.

INSTALLATION OF SOLAR LIGHTS

There is acute power shortage in the country especially in the rural areas. Company in its own endeavour to help the rural community has been trying to illuminate village streets/common areas by installing solar lights. 45 Solar Street Lights have been installed in the village Bamer, Sessia Nagla, Sendal, Bhamuria, Malheni, Baglehar, Beladhyani and Kaith in the States of Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Punjab & Haryana.

WATER HARVESTING/ GROUNDWATER RECHARGING

Due to global warming climatic changes are taking place and the amount and pattern of rainfall has been affected and underground water level is depleting. In such a situation farmers with small and marginal holdings who cultivate different rain-fed crops are badly hit. Rainwater harvesting is a big initiative being promoted by the Govt. of India to combat water scarcity.

Company has been educating farmers about water conservation measures. The Company has taken up projects with the twin objective of ensuring water conservation by constructing different water harvest structures and enrichment of soil health through measures of contour bunding and regeneration of biomass cover. The Company has also undertaken construction of check dams, water sheds and renovation of ponds and village wells with active participation of village panchayats to conserve water in the adopted villages of Sendal and Bhamuria under district Indore and Hoshangabad in Madhya Pradesh. The stop dams have helped in making water available round the year both for the farmers and animals. Construction work of 4 stop dams has been completed and construction work of 2 stop dams is in progress.

Rejuvenation and improvement of 2 village ponds, construction of water storage tanks was taken up for roof top rain water harvesting in the adopted villages of Malheni and Baglehar in Distt. Solan, Himachal Pradesh.

Above projects have helped in conservation of rainwater and preventing soil erosion, adding to irrigated and cultivated area, resulting in increase in farmers income.

CHILDREN EDUCATION

In order to improve literacy level in village schools, programmes providing computers, bags, uniform, school furniture, strengthening of school infrastructure and arranging safe drinking water were taken up to encourage maximum participation by rural children.

Company provided kitchen sheds, Boundary wall, sports infrastructure, Force lift pump, furniture, computers, Ceiling Fans to the primary and middle schools in the various villages situated in Uttar Pradesh, Madhya Pradesh, Himachal Pradesh & Haryana benefiting 2245 children. NFL has also collaborated in construction of auditorium cum gallery class room in Govt. aided college at Bitnoti in Mayurbhanj, a tribal district in Odisha State with the objective to prepare students of backward / tribal areas to face the competitive world by developing their presentation skills, public speaking which will help them in getting jobs and developing entrepreneurship etc.

Company is actively participating in construction and renovation of Utkal Balashram in Balasore distt of Odisha state. Utkal Balashram is one of the oldest and reputed Orphanage of Balasore district established in the year 1944 and has been rendering valuable service to the orphan children of Balasore district and other surrounding districts. At present about 250 orphan children are staying in the Utkal Balashram. The Balashram is functioning in a very old building which is more than 100 years old. NFL has collaborated with District Welfare Board to make available basic facilities like hygienic kitchen, dining hall, reading room, play area and adequate hostel facilities. This has helped in upgrading the Utkal Balashram to a model institute providing facilities to the under privileged children of the society.

WOMEN EMPOWERMENT

Women are the backbone of rural economy. Education, health, entrepreneurship and participation in village panchayat activities are the focus areas outlined by Govt. of India for women empowerment. Taking this forward NFL under its women empowerment initiatives has takes up Skill development activities like Stitching / Embroidery / Food Processing / Beautician / Sanitary Pad Making / Soft Toy making. There were 312 beneficiaries.

In village Bamuria in Hoshangabad, flour and masala grinding mill has been provided for Mahila Self Help Group, which has immensely helped local people and is a source of income for the concerned women.

In village Baglehar, Himachal Pradesh, one Multi Purpose Women Centre has been built on land donated by panchyat for the purpose. This center is the meeting point for all women trainings /activities in the village. Such centers are being built in other adopted villages also for education, awareness and empowerment of rural women.

SOCIAL FORESTRY

Social forestry aims at tree plantation on barren lands outside the conventional forest area for the benefit of rural and urban communities and to prevent environmental degradation on account of large scale reduction in forest cover. Social forestry programmes were taken up in the adopted villages where saplings of various locally grown trees were planted on panchayat barren lands, school campus and office boundary, etc. In all approx.330000 saplings were planted during the year.

Farmers are educated about the importance of trees and are encouraged to look after them.

Various other activities like drinking water facility, toilets, water tank, tubewells, overhead tanks, compost structures like NADEP / Vermi Compost Pits in villages, training on low cost agriculture practices to the Farmers etc were also taken-up as per need of the villages.

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

The guidelines on reservation for Scheduled Castes / Scheduled Tribes / Other Backward Classes / Physically Disabled category were implemented in letter and spirit. Details of representations of employees as on 31st March 2012 belonging to these categories are as follows:-

Representation

Group	Total employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	1703	359	21.09	89	5.23	97	5.46	9	0.52
B	1855	496	26.74	153	8.25	108	5.82	21	1.13
C	821	209	25.46	41	4.99	108	13.15	17	2.07
D (Excluding Safai Sewaks)	52	23	44.23	3	5.77	7	13.46	2	3.84
D (Safai Sewaks)	84	84	100.00	0	0.00	0	0	0	0
TOTAL	4515	1171	25.94	286	6.34	320	7.08	49	1.08

Recruitment during the year

Group	Total employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	104	13	12.62	7	6.79	21	20.38	0	0
B	0	0	0.00	0	0	0	0	0	0
C	7	2	28.57	0	0	0	0	2	28.57
D (Excluding Safai Sewaks)	0	0	0	0	0	0	0	0	0
D (Safai Sewaks)	0	0	0	0	0	0	0	0	0
TOTAL	111	15	13.64	7	6.36	21	19.09	2	1.81

Promotion during the year

Group	Total employees	SCs	%age	STs	%age	OBC	%age	PH	%age
A	372	81	21.77	23	6.18	NA	-	2	0.53
B	98	29	29.59	7	7.14	NA	-	0	-
C	0	0	0	0	0	NA	-	0	-
D (Excluding Safai Sewaks)	0	0	0	0	0	-	-	0	-
D (Safai Sewaks)	0	0	0	0	0	NA	-	0	-
TOTAL	470	110	23.40	30	6.38	NA	-	2	0.42

The overall reservation percentage achieved for SC category employees is 25.94, which is more than the prescribed reservation. In case of ST, the percentage achieved is 6.34%. There is a marginal shortfall than the prescribed reservation because the reservation in Group 'C' and 'D' posts filled up by Direct Recruitment in the States of Punjab and Haryana where three plants of the Company are located was abolished w.e.f 1st June, 1985. The reservation percentage achieved for Other Backward Classes was 7.08%.

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

NOTICE OF 38th ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of the Members of National Fertilizers Limited will be held at 11.30 A.M. on Tuesday, the 11th September, 2012 at Air Force Auditorium, Subroto Park, New Delhi – 110 010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2012 and Statement of Profit & Loss for the year ended on that date together with the Reports of the Directors' and the Auditors thereon.
2. To consider declaration of dividend.
3. To appoint directors in place of those who retire by rotation.
4. To fix remuneration of Statutory Auditors for the financial year 2012-13.

SPECIAL BUSINESS

5. To appoint Shri Suresh Chandra Gupta, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Shri Suresh Chandra Gupta, who was appointed as an Additional Director of the Company and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
6. To appoint Shri Sham Lal Goyal, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Shri Sham Lal Goyal who was appointed as an Additional Director of the Company and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."
7. To alter the Articles of Association of the Company by inserting the following as Article 37AA providing for Buyback of Shares and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:-
"RESOLVED THAT approval of shareholders be solicited at the forthcoming Annual General Meeting to alter the Articles of Association of the Company by inserting the following as Article 37AA providing for buyback of shares:-
"Subject to such directions as may be issued by the President in this behalf, notwithstanding anything contained in any other Article of the Articles of Association, but subject to the provisions of Section 77A and 77B of the Companies Act, 1956 and Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, any of its shares and any other security as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such

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

By Order of the Board of Directors

Tek Chand
Company Secretary

Place: New Delhi

Date: 25th July, 2012

NOTES:

1. The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of business items 5 to 7 above is annexed hereto.

2. APPOINTMENT OF PROXY

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

3. APPOINTMENT OF AUTHORISED REPRESENTATIVES

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

4. CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Members and Share Transfer Books of the Company will remain closed from 31st August, 2012 to 11th September, 2012 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.

5. PAYMENT OF DIVIDEND

Dividend, if declared in the Annual General Meeting, will be paid to those shareholders whose names appear:

- a. As Member in the Register of Members of the Company after giving effect to all valid share transfer in physical form which are lodged with the Company/Registrar & Share Transfer Agent on or before 30th August, 2012; and
- b. In respect of the shares in electronic form on the basis of beneficial ownership furnished by National Securities Depositories Ltd. (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose as at the end of 30th August, 2012.

6. CHANGE OF ADDRESS

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

7. CONSOLIDATION OF HOLDINGS

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

8. BANK MANDATE FOR DIVIDEND OR ELECTRONIC CLEARING SERVICES (ECS)

a. In order to protect the investors from fraudulent encashment of warrants, the members are requested to furnish their Bank Account Number (Current/Savings), the name of the Bank and Branch where they would like to deposit the dividend warrants for encashment, whenever dividend is declared by the Company.

These particulars will be printed on the Dividend Warrant besides the name of the shareholders, so that these warrants cannot be encashed by anyone other than the shareholder.

The above mentioned details should be furnished by the first/sole holder, directly to their respective Depositories in respect of shares held in electronic form and in case of shares held in physical form to the Company Secretary or Registrar & Share Transfer Agent M/s. MAS Services Ltd., T-34, 2nd Floor, Okhla Industrial Area, Phase-II New Delhi –110020.

b. The Company is providing the facility of ECS to all shareholders, holding shares in electronic and physical form. The detailed information letter about the ECS facilities is annexed. This facility could also be used by the shareholders instead of bank mandate system for receiving the credit of dividends, whenever dividend is declared by the Company.

9. UNCLAIMED DIVIDEND

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 as amended, the dividend amounts which remain unclaimed or unpaid for a period of seven years are required to be transferred to the Investors' Education and Protection Fund (IEPF) of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the financial year ended 31st March, 2005 and thereafter, which remains unclaimed for a period of 7 years will be transferred to the said account.

Members who have not yet claimed their dividend are requested to make their claims to the Company before the expiry of the stipulated period of 7 years as stated above. For the dividend for 2004-05, the period expires on 27th September, 2012.

10. NOMINATION

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

11. COMPULSORY TRADING OF SHARES OF THE COMPANY IN DEMATERIALIZED (DEMAT) FORM

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

12. INSPECTION OF REGISTERS AND DOCUMENTS

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

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

14. SHAREHOLDER QUERIES

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

15. ATTENDANCE SLIP-CUM ENTRY PASS

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

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

By Order of the Board of Directors

**Tek Chand
Company Secretary**

**Place: New Delhi
Date: 25th July, 2012**

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

Item No.5

Shri Suresh Chandra Gupta was appointed as Additional Director on 12th September, 2011 and shall be holding office till the Annual General Meeting. Aged about 49 years is a senior IAS Officer of 1986 batch. Before joining IAS, Mr. Gupta worked for Development & Financial Institutions like IDBI, LIC, PNB and UTI. During his first two stints in Central Government, he had handled food security related matters in Union Ministry of Food and Social Sector issues in Ministry of Women and Child Development. He had worked as Director of Hindustan Organic Chemicals Ltd. and Hindustan Insecticides Limited. Presently, he is Joint Secretary with Department of Fertilizers, Government of India. Shri Gupta has varied and rich experience. He is also on the Board of FACT Ltd. and KRIBHCO Ltd. He is also a Member of the Audit Committee of the Company.

Notice has been received in writing under Section 257 of the said Act from a member proposing the candidature of Shri Gupta as Director. He will be liable to retire by rotation.

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors except Shri Gupta to the extent of his appointment as Director is concerned or interested in the resolution.

Item No.6

Shri Sham Lal Goyal was appointed as Additional Director on 23rd December, 2011 and shall be holding office till the Annual General Meeting. Aged about 50 years is a senior IAS Officer of 1986 batch. He has a lot of administrative experience. Shri Goyal joined the Board of Company on 23rd December, 2011 and is also holding the additional charge as Chairman & Managing Director of the Company since 23rd December, 2011. At present Shri Goyal is Joint Secretary with Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India. Shri Goyal is also a Director on the Board of The Fertilizer and Chemicals Travancore Limited (FACT), Rastriya Chemicals & Fertilizers Limited (RCF), KRIBHCO Ltd., ICS Senegal, Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL).

Notice has been received in writing under Section 257 of the said Act from a member proposing the candidature of Shri Goyal as Director. He will be liable to retire by rotation.

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors except Shri Goyal to the extent of his appointment as Director is concerned or interested in the resolution.

Item No.7

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

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

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

Accordingly, it is proposed to insert Article 37AA as below, in the Articles of Association of the Company thereby providing for buyback of shares:-

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

The Board of Directors recommends the resolution for approval of the shareholders.

None of the Directors is interested or concerned in the above resolution except to the extent that he/she is a Director of the Company.

By Order of the Board of Directors

Tek Chand
Company Secretary

Place: New Delhi

Date: 25th July, 2012

NATIONAL FERTILIZERS LIMITED

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

Dear shareholder(s),

Re: Payment of dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS/Bank Account particulars to our Registrars, viz, M/s. MAS Services Ltd. or to your Depository Participant (in case of demat holding), we would request you to provide the said particulars in the format given below to facilitate prompt, safe and correct payment of dividend to be declared in the 38th Annual General Meeting of the Company to be held on 11th September, 2012.

Please ensure that the details submitted by you to the Registrars/Depository Participants are correct as any error therein could result in the dividend amount being credited to wrong account.

Payment of dividend through ECS and / or to be designated Bank Account, which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.

Kindly help us in our endeavour to serve you better.

Yours faithfully,

(Tek Chand)
Company Secretary

PS: In case you are holding shares in demat form, kindly advise your Depository Participant to take note of your bank account particulars /ECS mandate.

FORM FOR ECS MANDATE/BANK ACCOUNT PARTICULARS

I/We _____ do hereby authorize National Fertilizers Limited / my Depository Participant to print the following details on my/our dividend warrant

Credit my dividend amount to my Bank Account through ECS.

(strike out whichever is not applicable)

My/Our Folio No. _____ DP Id No. _____ Client Id No. _____

Particular of Bank Account:

- A. Bank Name : _____
- B. Branch Name: _____
(Address for Mandate only)
- C. 9 digit code number of the bank & branch as : _____
appearing on the MICR cheque.
- D. Account Type (Saving/Current) : _____
- E. Account No. as appearing on the cheque book : _____
- F. STD Code & Telephone No. of the shareholder : _____

I/We shall not hold the company responsible if the ECS could not be implemented or the Bank discontinue the ECS, for any reason.

Signature of the shareholder

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the 9 digit code number.

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

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

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

Name : _____

Address: _____

Date of Birth* _____

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

**The Nominee is a minor whose guardian is _____

Name and Address _____

(**To be deleted if not applicable)

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Address, Name and Signature of two witnesses:-

Name and Address	Signature with date
1.	
2.	

Instructions:-

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

NATIONAL FERTILIZERS LIMITED

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

PROXY FORM

I/We _____ of _____ (address) being a Member(s) of National Fertilizers Limited hereby appoint Mr./Mrs. _____ of _____ or failing him/her _____ of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at the 38th Annual General Meeting of the Company to be held on Tuesday, 11th September, 2012 at 11.30 AM at Air Force Auditorium, Subroto Park, New Delhi-110010 or at any adjournment thereof.

Signed this _____ day of _____ 2012.

DP Id. No.

Regd. Folio No.

Client Id No.

No. of Share(s) held

**Affix
Re.1/- Revenue
Stamp**

Signature.....

- The Proxy form should be signed by the member across the stamp.
- The Proxy form should be deposited at the Company's Registered Office, 48 hours before the scheduled time of the meeting.
- Those who hold shares in Demat form to quote their DP Id. No. and Client Id. No.

NATIONAL FERTILIZERS LIMITED

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

ATTENDANCE SLIP

Name of Shareholder(s) _____

Address _____

DP Id. No.

Regd. Folio No.

Client Id No.

No. of Share(s) held

I/We hereby record my/our presence at the 38th Annual General Meeting of the Company held on Tuesday, September 11, 2012 at 11.30 AM at Air Force Auditorium, Subroto Park, New Delhi – 110 010.

Signature of Member(s)/Proxy

Note:

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



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NATIONAL FERTILIZERS LIMITED

NATIONAL FERTILIZERS LIMITED

(A Govt. of India Undertaking)

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

Corporate Office: A-11 Sector-24 Noida 201301

Website: www.nationalfertilizers.com