
Dear Sir,

In pursuance of the SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated 20.05.2020, please find enclosed disclosure of Material impact of CoVID-19 pandemic on operations and performance of the Company.

This is for your information and dissemination.

Thanking you,

Yours faithfully,
For National Fertilizers Limited

(Ashok Jha)
Company Secretary

Encl.: As Above
NATIONAL FERTILIZERS LIMITED

Material impact of CoVID-19 pandemic on operations and performance of the Company

1. Impact of the CoVID-19 pandemic on the business:

a) The outbreak of Coronavirus pandemic globally and in India, in general, has disrupted significantly the economic activities across the world causing slowdown in economic growth.

b) Urea production remained uninterrupted during lockdown as all the 5 plants of NFL continued operation at full load except for reduction in load for few days due to limitation of bags with minimum manpower required to operate the plants and after taking all precautions required in the lockdown guidelines. The production levels could be sustained due to sufficient inventory of raw material and other intermediates like chemicals, consumables and available unfilled capacity of silos for stocking the final product urea.

c) However, NFL faced many challenges during lockdown with regard to:

   i) Restriction in evacuation of Urea from the plants mainly due to non-availability of adequate labour and trucks arising due to stringent restrictions imposed by the local administration. This problem eased to some extent after issue of revised guidelines by Government notifying movement of fertilizers under the exempt category.

   ii) Difficulty in movement & availability of inputs like neem oil, PP thread and chemicals (Sulphuric acid, caustic lye, liquid chlorine, cooling water chemicals etc.) due to shortage of trucks and operational difficulties faced by the suppliers due to shortage of manpower, raw material and non-availability of trucks for movement.

   iii) Supply of bags was most affected as a result NFL was constrained to reduce the plant load of some of its plants for few days resulting in loss of production. As of now, situation with respect to bag availability is yet to normalize and bag supplies continue to remain constrained.

   iv) Delay in Execution of on-going Energy Saving Schemes & Joint Venture Project (RFCL) of the company due to stoppage of project activities at site because of shortage of labour and delay in the visit of the foreign experts for commissioning of these projects due to travel restrictions arising from Covid-19.

   v) All ongoing recruitments for NFL and RFCL held up due to nation-wide lockdown imposed by Government to contain the spread of Covid-19.

d) All the Plants are operating in accordance with statutory guidelines with respect to Covid19.

2. Ability to maintain operations including the Plants / Offices functioning & closed down:

a) The company received all required support from Central & State Government to address the disruptions in the supply chain.

b) The company maintained all the business at Corporate & Marketing Office during lockdown through Work from Home using various on line platforms (Virtual meetings) / Social media tools such as Whatsapp Group, twitter etc.

c) Committee / Board approvals (Circular Resolution) obtained through E-Mails during Lockdown period.
Overall, Fertilizers being covered under essential commodity, the Company continued its operations during the period of lockdown. There were intermittent disruptions in the supply chain. Hence, overall there has been no major impact on the businesses of the Company.

3. Schedule, if any for restarting the operations:
   a) All the Urea plants are operating in accordance with the statutory guidelines with respect to Covid19 ensuring health and safety of the employees.
   b) Commissioning of the energy saving projects at Units, earlier scheduled in March to May 2020 has been rescheduled in September / October 2020 & March / April 2021 due to lockdown triggered from Covid19.

4. Steps taken to ensure smooth functioning of Operations:
   a) Close coordination / liaison maintained with Local administration / State & Central Government Authorities / Railways for expeditious action on various restrictions during lockdown on movement of the finished product and raw material.
   b) Special Task Forces constituted at Units to ensure adequate preventive measures against spread of COVID-19. The special task force has been assigned the task of planning and overseeing the preventive actions taken in the Unit.
   c) Masks distributed amongst NFL employees, CISF, Private security, Contractors' employees & other people along with Sanitizers, Soap, Liquid Soaps, Hand Gloves, etc. as per requirement.
   d) The factory premises, plant area, township area, public places, offices building (including washrooms, floors, staircase and handrails), lifts, etc. are being regularly disinfected / sanitized for prevention against Corona.
   e) NFL Marketing staff is taking all prescribed precautions to fight COVID-19 at rake points. All truck drivers, labourers are being given masks and using hand sanitizers before transportation of Urea at various rake points across the country and at the bagging section of the factory.
   f) The roster drawn for all employees, including apprentices, contractual & outsourced employees etc. who required rendering essential services, keeping in view the work / production exigencies.
   g) Adequate IT infrastructure was made available to the employees who were required to Work from Home during lockdown period.
   h) All meetings, conferences, trainings, sport activities and official functions deferred. Essential meetings are being conducted through Video conferencing to the extent possible. Digital media for official communication is being encouraged to minimize the physical movement of people.
   i) Do’s and Don’ts displayed to prevent spread of COVID-19 at entrances of factory gate, office buildings and other public places, apart from arranging pep-talks for staff deployed in factories.
   j) Employees as per guidelines were allowed to come to office while rest of the employees are allowed to work from home and were advised to be available on telephone/electronic means of communication at all times & not to leave station.
   k) Sanitization of all the computer systems, surfaces (e.g. desks and tables) & objects (telephone, keyboards) with disinfectants.
   l) Training programmes for employees are being conducted through Webinars / Virtual mode.
5. Estimation of the future impact of Covid19 on its operations:

a) The company continues to face shortage of empty bags from the suppliers leading to disruption in dispatches of material from the plants / ports causing piling up of stocks at Units / Ports.

b) Further delay in resumption of International Flights / VISA restriction / quarantine requirements due to CoVID-19 may delay the commissioning of the on-going projects of the company.

c) Production and sale of Nitric Acid is badly affected due to poor demand in the market.

d) Recruitment action in hand both for NFL and RFCL could be delayed further as it will not be possible to make available manpower for NFL and RFCL within the scheduled time.

6. Details of impact of Covid19 on Listed Entity’s:

✓ Capital & Financial Resources and Profitability

a) Delay in execution of the on-going projects of the company due to CoVID19 has led to time & cost overrun impacting adversely on the financial performance of the company.

b) Execution of Company’s Joint Venture Urea project namely RFCL (Ramagundam Fertilizers & Chemicals Limited) is also getting delayed due to Covid19 causing extra equity burden on the company due to cost overrun and loss of income from marketing of Urea as 100% marketing rights are with NFL.

✓ Liquidity position

The company is facing liquidity constraint due to delay in release of fertilizer subsidy by the Government owing to inadequate subsidy budget. The unprecedented higher borrowings to manage working capital requirement has led to incurrence of huge interest cost to the company.

✓ Ability to service debt and other financing arrangements

The Company has ensured timely payment of statutory dues, LC, Loan and Interest payments. It has also ensured forex liabilities are adequately hedged as per policy.

✓ Assets

The Company has been executing some on-going projects and the pandemic has certainly delayed certain processes. The Company continues to closely monitor and assess the situation with respect to these projects along with planned capex requirements.

Given the uncertainties associated with nature, condition and duration of COVID-19, the impact assessment on the Company’s financial statements will be continuously made and provided as required.

Adequate disclosures along with its Q4 and for FY2020 audited financials statements provided in July 2020.

✓ Internal financial reporting and control

The Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2020.
Supply chain

Supply chain disruption has impacted businesses across the country. The Company has taken various measures to mitigate the supply chain disruptions.

Demand for its products/services

a) To mitigate the demand disruption, the Company is focusing on the following:
   - Develop new dealers / customers / markets; Discount on firmed volumes
   - New product offerings
   - Increased engagement with customers

b) Nitric Acid Business: The downstream users of Nitric Acid have been impacted due to the outbreak of CoVID-19 which in turn has impacted the demand for Weak Nitric Acid of the Company. Slow pick up in activities is being witnessed as the lockdown is being removed gradually.

7. Existing contracts / agreements where non-fulfillment of the obligations by any party will have significant impact on the listed entity’s business:

There are no such contracts / agreements which would lead to non-fulfilment of the obligations by any party that shall have any significant impact on the business.

8. Other relevant material updates about the listed entity’s business:

Nothing is there at this stage. The Company has been proactively intimating stock exchanges from time to time for any material developments / updates.