



29

29th
Annual Report
2006-07



Rashtriya Chemicals and Fertilizers Limited
(A Government of India Undertaking)



Rashtriya Chemicals and Fertilizers Limited

FINANCIAL HIGH LIGHTS AT A GLANCE

(Rs. Crore)

Sr No	PARTICULARS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
1	Turnover	3644.60	3187.80	2895.90	2396.64	2135.98	2099.45	2137.93	2374.41	2090.71	1780.13
2	Profit before Interest, Depreciation and Tax (EBIDTA)	363.66	284.39	303.99	233.38	12.10	169.46	197.20	158.78	268.93	321.16
3	Depreciation	75.42	68.53	96.71	69.17	68.25	76.88	59.10	46.90	39.10	31.91
4	Interest [Net]	46.93	0.80	(3.98)	(91.59)	40.54	58.37	72.57	72.14	42.50	31.21
5	Prior year Adj. - Expenses / (Income)	0.07	(0.61)	(0.41)	(0.85)	(2.97)	(18.40)	(3.63)	(3.34)	0.69	(0.82)
6	Profit / (Loss) Before Tax (PBT)	241.24	215.67	211.67	256.65	(93.72)	52.61	69.16	43.08	186.64	258.86
7	Tax Provision (Net of Adj.)	92.50	67.71	70.71	88.86	(45.65)	28.40	4.19	8.00	81.00	69.49
8	Profit / (Loss) After Tax (PAT)	148.74	147.96	140.96	167.79	(48.07)	24.21	64.97	35.08	105.64	189.37
9	Dividend										
	Rate %	10.00	10.00	17.00	17.00	0.00	2.00	4.00	2.00	6.00	7.00
	Amount :	64.55	62.91	107.02	105.81	0.00	11.03	24.33	13.46	36.75	42.48
	Dividend Payout Ratio %	43.39	42.52	75.92	63.06	0.00	45.58	37.45	38.37	34.79	22.43
10	Working Capital	1434.06	884.39	849.81	734.48	983.56	953.99	980.62	1056.12	823.08	820.44
11	Capital Employed	2449.97	1756.80	1738.87	1609.53	1901.93	1888.89	1867.28	1926.20	1512.02	1397.17
12	Net Worth	1614.29	1505.47	1424.68	1413.21	1297.80	1389.40	1366.77	1326.11	1304.50	1235.51
13	RATIOS										
	Current Ratio [CA :1]	3.28	2.29	2.78	2.86	4.54	3.90	3.80	3.82	2.81	2.63
	Debt Equity Ratio [Debts :1]	0.59	0.29	0.26	0.15	0.47	0.38	0.44	0.52	0.30	0.27
	EBIDTA to Capital Employed (%)	14.84	16.19	17.48	14.50	0.64	8.97	10.56	8.24	17.79	22.99
	PBT to Capital Employed (%)	9.85	12.28	12.17	15.95	(4.93)	2.79	3.70	2.24	12.34	18.53
	PAT to Capital Employed (%)	6.07	8.42	8.11	10.42	(2.53)	1.28	3.48	1.82	6.99	13.55
	PBT to Net Worth (%)	14.94	14.33	14.86	18.16	(7.22)	3.79	5.06	3.25	14.31	20.95
	PAT to Net Worth (%)	9.21	9.83	9.89	11.87	(3.70)	1.74	4.75	2.65	8.10	15.33
	PAT to Equity (%)	26.96	26.82	25.55	30.41	(8.71)	4.39	11.78	6.36	19.15	34.33
	PBT to Turnover (%)	6.62	6.77	7.31	10.71	(4.39)	2.51	3.23	1.81	8.93	14.54
	PAT to Tounover (%)	4.08	4.64	4.87	7.00	(2.25)	1.15	3.04	1.48	5.05	10.64
	Earning Per Share Before Tax (Rs.)	4.37	3.91	3.84	4.65	(1.70)	0.95	1.25	0.78	3.38	4.69
	Earning Per Share After Tax (Rs.)	2.70	2.68	2.56	3.04	(0.87)	0.44	1.18	0.64	1.91	3.43



Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

Registered Office, "Priyadarshini",
Eastern Express Highway, Sion, Mumbai 400 022.

ANNUAL REPORT 2006-07

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Board of Directors

Shri U.S.Jha

Chairman and Managing Director

Shri M. Sundararaman

Director (Finance)

Shri H.S. Karangle

Director (Technical)

Shri J.Kohareswaran

Director (Marketing)
(from 28.9.2006)

Dr. Jivtesh Singh Maini

Addl. Secretary and Financial Advisor
Department of Fertilizers, New Delhi

Shri Deepak Singhal

Jt. Secretary, Department of Fertilizers, New Delhi

Shri I.C.Srivastava, [IAS Retd]

4 ka- 26, Jawahar Nagar
Jaipur- 302004
(from 5.3.2007)

Prof. Ashok Misra

Director, IIT, Powai, Mumbai
(from 5.3.2007)

Shri Anil Agrawal

B-139, Kalkaji
New Delhi- 110 019
(from 5.3.2007)

Shri B.K.Sinha

Joint Secretary
Department of Fertilizers, New Delhi
(upto 12.7.2006)

Company Secretary

Shri K.C.Prakash

Bankers

State Bank of India
Swastik Chamber
Chembur, Mumbai.

Statutory Auditors:

M/s. A.J.Shah & Co., Mumbai
M/s. Batliboi & Purohit, Mumbai

Share Transfer Agent

M/s. Intime Spectrum Registry Ltd
C-13, Pannalal Silk Mills Compound
L.B.S.Marg, Bhandup
Mumbai 400 078

Registered Office

“Priyadarshini”
Eastern Express Highway
Sion, Mumbai 400 022.

E mail address :

Investorcommunications@rcfltd.com

Website address:

www.rcfltd.com

Venue for AGM :

“Yogi Sabhagruh”,
Behind Swaminarayan Mandir,
Dadar (E), Mumbai- 400 014



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

Registered Office, "Priyadarshini", Eastern Express Highway Sion, Mumbai 400 022.

Notice TWENTY NINTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the TWENTY NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED will be held at "Yogi Sabhagruh", Behind Swaminarayan Mandir, Near Railway Station, Dadar (E), Mumbai- 400 014 on Friday, the 6th day of July, 2007 at 3 PM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2007 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To fix remuneration of Auditors.
4. To appoint a Director in place of Shri H.S.Karangale who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Dr. J.S.Maini, Director, who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

6. To appoint Shri J.Kohareswaran, 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 pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Shri J.Kohareswaran, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
7. To appoint Dr.Ashok Misra, 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 pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Dr. Ashok Misra, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
8. To appoint Shri Anil Agrawal, 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 pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Shri Anil Agrawal, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
9. To appoint Shri I.C.Srivastava, 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 pursuant to Sections 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Shri I.C.Srivastava, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".
10. To increase the borrowing limits and to consider and if thought fit, to pass with or without modifications, the following resolution as Ordinary Resolution.
"RESOLVED THAT pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act 1956, and subject to approval, if any, required, of the President of India and/ or Central Government, the Board of Directors of the Company be and is hereby authorised to borrow from time to time moneys [apart from the temporary borrowings from the Company's Bankers in the Ordinary Course of Business] for the purpose of the Company in excess of the aggregate of its paid up capital and free reserves [that is to say, the reserves that are not set aside for any specific purpose] provided that the total amounts of such borrowings together with amounts already borrowed and outstanding, shall not exceed Rs.7000 Crore."
"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution".

By order of the Board of Directors
K.C. Prakash
Company Secretary

Date : 29/05/2007
Place: Mumbai

Notes:

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and that the said proxy need not be a Member of the Company. The instrument appointing the proxy shall be deposited at the Registered Office of the Company not later than forty-eight hours before the time fixed for holding the meeting.
2. Register of Members and Share Transfer books will be closed from 25.6.2007 to 6.7.2007 [both days inclusive].
3. Members are requested to notify immediately any changes in their address to the Company or its Transfer Agents: M/s. Intime Spectrum Registry Ltd C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhandup (W), Mumbai 400 078.
4. Any clarifications needed by the members of the Company may be addressed to the Company Secretary at the Registered Office of the Company or through e-mail investorcommunications@rcfld.com at least seven days prior to the date of Annual General Meeting.
5. Pursuant to the provisions of Section 205 A (5) of the Companies Act, 1956, dividend which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Members who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company or to the Registrar and Transfer Agents, M/s. Intime Spectrum Registry Limited, immediately. Members are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any claims.

The following Explanatory Statement sets out the material facts referred to in Item No. 6,7,8, 9 and 10 of the Notice convening the 29th Annual General Meeting:

Item No. 6

Shri J.Kohareswaran, aged 57 years, who has been appointed by President of India as a whole time Director on the Board of the Company w.e.f. 28.9.2006, pursuant to Section 260 of the Companies Act, 1956 and Article 81(5) of Articles of Association of the Company, will hold the office till the date of 29th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri J.Kohareswaran, for the office of Director of the Company.

Shri J.Kohareswaran, was appointed, as Director (Marketing) w.e.f. 28.9.2006. Before taking over the charge of Director (M), Shri Kohareswaran was Executive Director (Marketing). He worked in various capacities in Finance department in both units of the Company and also in the Audit department. He is a Fellow Member of The Institute of Cost & Works Accountants of India and also Associate Member of Institute of Management Association. He was awarded with 3rd Indira Gandhi National Excellent Manager Award for excellence in Central Public Undertaking.

Considering, Shri J.Kohareswaran's indepth experience in finance, audit, marketing and general management, your Directors commend for his appointment as Director.

None of the Directors, other than Shri J.Kohareswaran, is interested in the above Resolution.



Rashtriya Chemicals and Fertilizers Limited

Item No. 7

Dr. Ashok Misra, aged 60 years, who has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, pursuant to Section 260 of the Companies Act, 1956 and Article 81(5) of Articles of Association of the Company, will hold the office till the date of 29th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Dr. Ashok Misra, for the office of Director of the Company.

Dr. Misra is a highly qualified Technocrate. He is B.Tech [Chem Engg] from IIT Kanpur, MS in Chemical Engineering from Tufts University and Ph.D in Polymer Science & Engineering from University of Massachusetts. After working in Monsanto for three years, he joined IIT Delhi in 1977 where he served as the head of the Centre for Polymer Science & Engineering during 1991-94 and as Dean, Alumini Affairs and International Programmes during 1997-2000. Presently, he is the Director, IIT Mumbai. Dr. Misra is a Fellow of Indian National Academy of Engineering, National Academy of Science India (NASI), Indian Institute of Chemical Engineers, Member of the International Academic Advisory panel of the Government of Singapore and various other institutions. Dr. Misra has varied and rich experience not only as a Technocrat but also being on the Board of several Companies. He was a director on the Board of RCF from 30.11.02 to 29.11.05. Presently he is director on the Board of M/s. National Thermal Power Corporation Limited (NTPC) and M/s. Reliance Industries Limited.

Dr. Misra by being on the Board of Companies contributed significantly to the performance of the Companies through his business acumen. Considering, his indepth experience not only as Technocrat but also running business, your Directors commend for his appointment as Director. None of the Directors, other than Dr. Ashok Misra, is interested in the above Resolution.

Item No. 8

Shri Anil Agrawal, aged 50 years, who has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, pursuant to Section 260 of the Companies Act, 1956 and Article 81(5) of Articles of Association of the Company, will hold the office till the date of 29th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri Anil Agrawal, for the office of Director of the Company.

Shri Anil Agrawal is M.Com, FCA, ACS and several other qualifications. He is engaged in practice as Chartered Accountant since 1981 and possesses varied experience in the fields of Account, Audit, Taxation, Financing and Project preparation, Management, Company Secretarial work etc of various Companies.

Shri Agrawal is presently on the Board of Directors of M/s. MECON Ltd. and partner in M/s. Agrawal Anil & Co., Delhi. Considering his rich and varied indepth experience, your Directors commend for his appointment as Director.

None of the Directors, other than Shri Anil Agrawal is interested in the above Resolution.

Item No. 9

Shri I.C. Srivastava, aged 64 years, has been appointed by President of India as a Director on the Board of the Company w.e.f. 5.3.2007, pursuant to Section 260 of the Companies Act, 1956 and Article 81(5) of Articles of Association of the Company, will hold the office till the date of 29th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri I.C.Srivastava, for the office of Director of the Company.

Shri Srivastava, is a retired IAS officer and was CMD of Rajasthan State Mines and Minerals Ltd., Jaipur. He is a governance specialist with a special focus on policy formulation negotiation and implementation. He has an international perspective of issues

pertaining to governance especially in a developing context having pursued a post graduate Diploma in Development Administration from the University of Manchester, U.K. and attended international conferences on Sustainable Development and Irrigation & Drainage. He has also been involved in the capacity of a Team Leader in formulating the Child Policy in Rajasthan for UNICEF. He has acquired institutional development and reform skills having undergone training at Indian Institute of Public Administration and National Academy of Administration on Advance Management and Governance. He has supported training and multi-stakeholder consultations for some of the largest campaigns in governance including holding decadal Census and five yearly elections.

Shri Srivastava has varied and rich experience not only as an IAS, but also being on the Boards of other Companies. Presently, Mr. Srivastava is director on the Boards of M/s. Paradeep Phosphates Limited and M/s. Maharashtra Polybutenes Limited.

Considering his indepth experience not only as an officer of IAS, but also in running business, your Directors commend for his appointment as Director.

None of the Directors, other than Shri I.C.Srivastava is interested in the above Resolution.

Item No. 10

The Company has plans to take up several projects involving large investments which is expected to be met out of internal generation, borrowing and through other means of funding. Some of the major projects that are being considered are:

- Thal III expansion project : A brown field project to install 1x2200 MTPD Urea plant along with required infrastructure for manufacturing ammonia and urea. The project is expected to be at a cost of Rs. 2700 crore and make the Company a foremost producer of fertilizers in the Country.
- Take over of closed units manufacturing fertilizers : Considering that the Country has struck gas finds, Government is considering to revive several manufacturing units, which have been closed down. The available infrastructure and the support the Government may provide for the revival, makes some of the units very attractive and the Company would like to take advantage. The Project is expected to cost Rs.6000 crore.
- Debottlenecking Project at Thal Ammonia and Urea plants to produce 2x1750 MTPD Ammonia and 3x1900 MTPD Urea would cost Rs.450 crore. The Project would immensely improve efficiency, reduce cost and increase production.
- Opportunities are available for Indian Companies to acquire mining, manufacturing and distribution facilities of products related to fertilizer Industry such as Rock Phosphate, MOP, DAP etc. Preliminary exploratory visits were made to Countries like Senegal, Egypt, Middle East etc alongwith Government delegations and vast opportunities exists. Estimated investment would be about Rs. 450 crore. Investments made would help the Company by getting regular supply of raw materials/ finished products.
- Several projects within the Country are on anvil such as DAP Joint Venture with Rajasthan State Mines and Minerals Ltd., ANP modification project at Trombay, Methanol revamp, Rapidwall project and other revamps, R&R and smaller projects which are important for the operations of the Company.

It is estimated that the total investment in all the Projects would be about Rs.10,000 crore, spread over the XI plan. The Company expects to meet the projects largely with Internal generations, debt apart from other modes of generating funds as may be appropriate. The Company expects to meet through Debt equity of 2:1 and hence may have to borrow upto Rs.7,000 crore.

In order that the Company takes the opportunity and expand rapidly to become foremost leader in the Indian fertilizers Industry, such large investment is required and would give benefits to the members in future.

None of the Directors of the Company is interested in the above resolution.

By order of the Board of Directors
K.C. Prakash
Company Secretary

Date : 29/05/2007

Place: Mumbai



Directors' Report

To the members:

The Directors of your Company have pleasure in presenting this 29th Annual Report on the working of your Company together with the Audited Accounts for the year ended 31st March, 2007.

1.0.0 FINANCIAL PERFORMANCE:

Summary of financial performance:

Rs.Crore

Particulars	2006-2007	2005-2006
Sales including Subsidy	3559.62	3102.09
Other Income	84.98	85.71
Total Income	3644.60	3187.80
Cost of Sales	3280.94	2903.41
Operational Profit	363.66	284.39
Depreciation	75.42	68.53
Interest (Net)	46.93	0.80
Prior year adjustment	0.07	(0.61)
Profit/ (Loss) before tax	241.24	215.67
Provision for Tax (including deferred Tax liability/ Asset)	92.50	67.71
Net Profit / (loss)	148.74	147.96
Appropriations:		
Dividend Proposed @10%	55.17	55.17
Tax and Educational cess on Dividend	9.38	7.74
Balance Transferred to General Reserve	84.19	85.05

1.1.0 Highlights for the year 2006-2007 :

Your Company's overall performance was highly satisfactory during the financial year 2006-07. Your Company achieved highest ever turn over of Rs. 3559.62 crore. The total income from operations was Rs.3644.60 crore as against Rs. 3187.80 crore during the previous year registering a growth of 14.33%. Your Company achieved a Gross profit of Rs. 363.66 crore as against Rs. 284.39 crore during the previous year, thus recording an increase in the operational profits by 27.87 %. The growth in operating profit exceeded that of the turnover. The net Profit before Tax at Rs.241.24 crore as against Rs. 215.67 crore registered an increase of 11.86%

However, the Profit after Tax during the current year, is marginally higher Rs. 148.74 crore as against Rs.147.96 crore in the previous years. The net Interest cost during the year has considerably increased to Rs.46.93 crore compared to Rs.0.80 crore during the previous year since the Company had to borrow, for its working capital, largely due to the delayed subsidy payments by Government.

Your Company's operations remained highly satisfactory despite being affected due to constraint in the availability of feedstock gas and increased input costs. Your Company's ANP plant was shut down for substantial part of the year due to the accident in the prilling tower. The input costs especially Naphtha has also increased substantially during the year. In spite of all these setbacks your Company's performance has been laudable.

1.2.0 Dividend:

Net Profit After Tax for the year under report is Rs.148.74 crore. Your Company has lined up a number of capex programmes which will entail substantial expenditure and in order to fund these programmes it is necessary to plough back its profits. In view of this, Your Company proposes to maintain the dividend rate at 10%. The total outgo, including dividend distribution tax and education cess works out to Rs.64.55 crore.

1.3.0 Appropriation to General Reserves:

Your Company earned a net Profit after Tax of Rs 148.74 crore. The dividend payout along with Tax/cess is Rs. 64.55 crore. The balance amount of Rs.84.19 crore is transferred to General Reserves.

2.0.0 MANAGEMENT DISCUSSION AND ANALYSIS:

2.1.0 OPERATIONAL RESULTS :

2.1.1 PRODUCTION:

2.1.2 Fertilizers:

Your Company produced 23.71 lakh MT of fertilizers during the year as against 23.38 lakh MT produced in the previous year and achieved overall capacity utilisation of 88% as against 87% during the previous year. The capacity utilisation of the Urea plants was to the extent of 91% only since the plant at Trombay was not operated. As regards complex fertilizers are concerned, the plants produced to the extent of 53%. In terms of nutrients, your Company produced 9.32 lakh MT of Nitrogen (N), 0.79 lakh MT of Phosphate (P₂O₅) and 0.72 lakh MT of Potassium (K₂O) during the year as compared to



Rashtriya Chemicals and Fertilizers Limited

8.84 lakh MT of N, 1.09 lakh MT of P₂O₅ and 0.65 lakh MT of K₂O. The production has been affected due to the constraint in feedstock gas supply. The performances of the units are given below:

2.1.2.1 Thal Unit:

Thal unit produced 18.53 lakh MT of Urea during the year compared to 16.85 lakh MT produced in the previous year, recording an increase of 10%. The unit achieved a capacity utilisation of 108.57% as compared to 98.70% during the previous year. This is the highest ever annual production. The unit produced 10.79 lakh MT of Ammonia compared to 9.82 lakh MT during previous year. The energy consumption per MT of Urea was 6.51 Gcal and for Ammonia produced, the consumption increased from 9.15 Gcal to 9.22 Gcal. In terms of nutrients the unit produced 8.52 lakh MT of N during the year compared to 7.75 lakh MT during the previous year.

The unit was bestowed with several awards and honours for its performance, energy conservation and safety such as:

Golden Peacock Award 2006 for Environment Management in Fertilizer Sector awarded by World Environment Foundation New Delhi; First Prize for Energy Conservation Award at state level for the year 2005 from MEDA, Govt. of Maharashtra; National Safety Award for 2005 from Ministry of Labour; Green Tech Environment Excellent Award for the year 2006; 'National award for Prevention of Pollution' from Ministry of Environment & Forests for 2004-05; Award from National safety council for Maharashtra chapter for 'Lowest accident frequency rate for the year 2005'; Award from National Safety Council for 'Longest accident free period for the year 2005'; 'Best Plant Performance' 'Runner up Award' for the year 2006 was received by Heavy Water plant.

2.1.2.2 Trombay Unit:

The Trombay Unit produced 5.18 lakh MT of Complex fertilizers (4.83 lakh MT of Suphala 15:15:15 and 0.35 lakh MT of Suphala 20:20:0) during the year under report compared to 6.53 lakh MT (4.30 lakh MT of Suphala 15:15:15 and 2.23 lakh MT of Suphala 20:20:0) during the previous year. The Trombay unit, during the year, did not produce Urea due to the constraint in the availability of feed stock gas. The unit suffered a major set back due to the accident in ANP Plant, which resulted in stoppage of production of ANP. Presently the plant is being re-engineered and major work is being undertaken. The unit achieved an overall capacity utilization of 52% compared to 66% during the previous year. In terms of Nutrient values, the unit

produced 0.79 lakh MT of N during the year (previous year 1.09 lakh MT), 0.79 lakh MT P₂O₅ (previous year 1.09 lakh MT), and 0.72 lakh MT K₂O (previous year 0.65 lakh MT).

2.1.3 Industrial Products:

Your Company is one of the prime chemicals manufacturer in the country producing several Industrial Chemicals at the two units. During the year, your Company produced 1.35 lakh MT of various Industrial Chemical products compared to 1.28 lakh MT during the previous year. Your Company produces, amongst others, Methanol, Methylamines and derivatives, Ammonium Nitrate, Sodium Nitrate/Nitrite, Ammonium Bi-Carbonate, Formic Acid etc.

2.2.0 MARKETING PERFORMANCE:

2.2.1 Fertilizer Division:

Your Company achieved a total sales volume of 25.57 lakh MT during 2006-07 as compared to 26.20 lakh MT in the previous year. Your Company sold 17.76 lakh MT of Urea, 4.59 lakh MT of Suphala 15:15:15, 0.54 lakh MT of Suphala 20:20:0 and 2.68 lakh MT of bought out products such as DAP, MOP, SSP etc. compared to 17.24 lakh MT, 4.31 lakh MT, 2.27 lakh MT and 2.38 lakh MT respectively during the previous year. The marginal fall in overall quantity sold during the year is due to shutdown of Suphala 20:20:0 plant. Your Company has achieved highest sales in value added products such as Biola (107 MT), Microla (41KL) and Sujala (1156 MT).

2.2.2 Industrial Products Division:

The Industrial Products Division achieved a record sale of Rs.561.64 crore during the year 2006-07 as compared to Rs.420.54 crore during the previous year, achieving a very high growth rate of 33.6% despite continued fierce competition both from domestic and international players.

2.2.3 Exports :

The Export turnover for the year 2006-2007 was Rs. 0.67 crore as against Rs.1.04 crore achieved during the previous year. During 2006-07, your Company exported Suphala 15:15:15 and other products. Considering the products line of your Company, scope for exporting and earning foreign exchange is very limited. During the year, your Company offered its manpower services to clients abroad and earned Rs.0.32 crore in addition to the earning through export of goods.

2.3.0 The Fertilizer Industry:

While Urea is under the control in respect of price, distribution and movement, Phosphatic and



Potassic fertilizers continue to be under the indirect control of the Central and State Governments. During the year under reference, Government of India notified stage-III of New Pricing Scheme (NPS) for Urea applicable from 1st October, 2006. The scheme is applicable upto 31st March, 2010 and the Government has constituted a Committee under the chairmanship of Secretary (Petroleum & natural gas) to oversee the aspects of supply, connectivity and pricing of gas to fertilizer units.

The main features of NPS stage-III are as follows:

- Decontrolled the distribution of urea up to 50% of reassessed capacity. States would be required to allocate the entire quantity of planned Urea arrivals i.e. both under ECA and Non-ECA in a district-wise, supplier-wise and month-wise manner. Freight subsidy to the units would be reimbursed based on conformity to planned movement up to the district level for both ECA as well as Non-ECA quantity.

- Primary freight will be reimbursed based on the actual leads for Rail movement. For the Road component of the primary freight, road leads will be as per actual distance to the primary godowns and will be suitably escalated based on the composite road transport index. One time enhancement of 33% would be granted on the road component of primary freight.

- Units currently not in operation such as Duncans, RCF Trombay and FACT will be allowed to resume production based on natural gas / LNG / CBM / Coal gas. Upon resumption, the base concession rate of these units will be the Stage-III concession rate of the group to which they belong, or their own concession rate updated till 31/3/2003, whichever is lower. No outlier benefit would be available to any unit.

- The concept of de-bottlenecking has been abolished. No permission will be required from the Government for production beyond 100% of reassessed Urea capacity of the Unit. Government would be making merit order procurement i.e. the unit giving the cheapest Urea will be given first permission for production over 100%. Production between 100% and 110%, if required by Government, will be offered an incentive of 35% of gain. The total amount paid to the unit will not exceed the unit's applicable concession rate. Units increasing production beyond 110% will be compensated at their own concession rate or the IPP whichever is lower.

The scheme envisages reduction in CRC of Rs. 50 PMT for pre 92 naphtha and FO/LSHS units, and reduction of Rs. 75 PMT from other units. Capacity

utilization of the units is considered at 93% for pre-92 naphtha and FO/LSHS units and 98% for all others. Savings in energy to be compensated at weighted average rate of energy. Cost of bags to be allowed based on 3 years moving weighted average for each year of NPS III.

Generally the policy is favourable to your Thal unit. The implementation of the policy will lead to a positive impact on the profitability of Thal unit. However, the policy is not favourable to the Trombay unit since the unit will be considered under 'pre-92 gas group' concession. The outlier benefit which was available to Trombay unit would no longer be available. Your Company has represented to the Government to consider a separate policy for Trombay unit, since it is a producer of low cost urea.

2.4.0 Strength and Weakness:

Your Company's major business is in the field of manufacturing and marketing fertilizers. Your Company has manufacturing units, some of which were commissioned as far back as in 1965. The plants have been maintained with utmost care and maintenance to ensure that the plants can operate at optimum capacities. Your Company produces low cost Urea and shall be able to face domestic and international competition if the Government takes a decision to completely free the industry from controls. The manufacturing units have the advantage of proximity to major seaports, as the raw materials for manufacturing the fertilizers are imported. With the recent gas finds in both west and east coasts as well as in Rajasthan, the availability of feed gas is likely to be available in about 12 months time.

Your Company's market depends upon monsoon, as its primary market is in Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh. Your Company has increased its market presentation in other markets as well.

2.6.0 Risk Management:

Your Company has put in place Risk Management System with the objective to evolve a strategy to have a balanced approach towards business plan and to mitigate the associated risks through better management practices, resulting in greater degree of confidence amongst various stakeholders and adhering to good Corporate Governance practice.

The Risk Management practice covers:

(i) *Assessment :*

Assessment of each of the risks such as operational,



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Environmental, financial, Human Resource, legal, Information etc as to the degree of impact financially and also the likely effect on the assets, facilities and third parties.

(ii) **Risk Control:**

In order to mitigate losses arising out of perceived risks, the procedures being adopted to contain the risks, as also the practices adopted during emergencies, including the communication system and mode of disseminating information are periodically reviewed and updated to minimise the impact on the Company.

(iii) **Reporting:**

The detailed reporting structure, periodicity of reviews and reporting on revisions required in the policy/ procedures etc., form part of the policy.

2.5.0 Future plans of fertilizer marketing:

Your Company has ambitious plans to increase its turnover from 25.57 lakh MT in 2006-07 to 31 lakh MT. In addition, your Company also intends to market 130 MT of biofertilizers, 80 KI of Microla (liquid micronutrients) and about 2500 MTs of Sujala (including drip and foliar grade).

Your Company is also exploring the possibility of getting into alliance with other organisations for marketing of other fertilizers such as Single Super Phosphate (SSP) and Ammonium Sulphate (AS). This would add to your Company's product line and allows the Customers to have better choice. This is expected to establish your Company as a one stop supplier of fertilizers.

2.7.0 MAJOR EXPANSION AND DIVERSIFICATIONS:

During the year, your Company has taken up several projects of importance to improve energy efficiency, increase production and reduce cost. The projects are constantly reviewed and monitored to ensure timely completion. Projects which have been implemented, being implemented and under active consideration are listed below:

2.7.1 Projects in Progress:

1. Technology Upgradation of Trombay V Ammonia Plant:

In order to meet the new standards of energy consumption, project has been undertaken at an estimated cost of Rs.249 crore to reduce energy consumption from existing level of 10.8 Gcal/MT to 8.8 Gcal/MT. This would reduce the cost of production. The project has been completed and commissioned in June 2006. The synthesis gas compressor, has been hooked up in June 2007

during annual turnaround. During the year, the plant has achieved the best ever monthly energy consumption of 9.88 Gcal/MT and an annual average of 10.40 Gcal/MT. With the hookup of synthesis gas compressor the plants reliability will substantially increase and also further reduce energy consumption.

2. Technology Up-gradation of Concentrated Nitric Acid Plant :

Concentrated Nitric Acid Plant, at Trombay set up in 1967, has outlived its productive life and needs constant maintenance apart from disruption in its operation. A project has been taken up and successfully commissioned in February, 2007 to set up a new plant to produce 100 MTPD of CNA. This will cater to the increased demand for the product itself as well as other variations such as DNA 68% and DNA 72%.

3. Argon Recovery Plant :

A project has been taken up at an estimated cost of Rs.95 crore to recover Argon from the purge gas generated in Hydrogen Recovery unit. The plant when commissioned would produce 14300 MTPA of liquid Argon which has wide range of Industrial use. The plant is expected to be in operation from October, 2007.

4. Revamp of Methanol Plant:

A Project to revamp the Methanol plant at a cost of Rs.108.43 crore has been undertaken for improving efficiency in energy consumption and for enhancing the plant life by replacing necessary equipments. The project is scheduled to be completed by April 2008.

5. Capacity Upgradation – Sujala Plant

Based on the process developed by the R & D department of your Company, a new Plant of 1080 MTPA (100% water soluble Fertilizer 19:19:19 grade) capacity with all modern material handling and bagging machines to manufacture 100% water soluble fertilizers of different grades has been commissioned in December 2006. Your Company has thus been provided with one more product to supplement the major fertilizers.

2.7.2 New Projects :

1. Setting up of Rapidwall Plant :

Your Company is setting up a plant, at an estimated cost of Rs.70 crore at Trombay, for producing Rapidwall Panels, Wall Plaster and Wall Putty using the exclusive technology from an Australian Company and has signed an Agreement with M/s. Rapid Building Systems Pty Ltd. The plant would be utilizing phosphogypsum, a waste product



generated in Phosphoric Acid Plant. The Rapidwall panels would reduce time and cost of construction and can be used for mass housing schemes. The Project Activity is likely to start in IInd Quarter of 2007-08 and is expected to be completed in 12 months from zero date.

2. Additional Ammonia/ Urea Plant at Thal.

Considering the ever growing demand for nitrogenous fertilizers, a proposal for setting up a brown field additional Ammonia Urea complex at Thal has been submitted and has been put up for the consideration of the Department of Fertilizers (DOF). The project envisages setting up of 1x2200 MTPD Urea plant along with power generation, offsite, utilities and product handling facilities.

Feasibility study has been completed and a Techno-economic Feasibility Report has been submitted to the Government after Board approval, for first stage PIB clearance. All necessary infrastructures for the new plants are available at Thal and locations for installation of the units have been identified and frozen as a part of pre-engineering activity. Detailed feasibility shall be prepared after receiving first stage PIB clearance. The project is estimated to cost Rs.2700 crore.

3. De-bottlenecking of Urea plant at Trombay:

The Urea plant at Trombay has not been in operation since about five years due to non-availability of sufficient gas. M/s. GAIL is laying Dahej Uran pipeline to transport LNG from its terminal in Dahej. With the expected availability of LNG Urea operations are expected to start. A project to debottleneck the plant would be taken up at an estimated cost of Rs.45 crore to improve the efficiency of the plant.

4. Thal Ammonia Revamp (End to End Survey)

Your Company is envisaging revamp of existing Thal Ammonia and Urea plants in order to reduce energy consumption and enhance capacity so that it will meet the challenges of the free market scenario. Study of the plant has been carried out by renowned technology suppliers to evolve the most optimum scheme for revamp.

Technical offers have been obtained from original process designer HTAS for carrying out the revamp. One of the key area for cost reduction i.e. Synthesis Gas compressor turbine revamp has been taken up. For other schemes viability is being examined. The anticipated cost of the entire scheme is Rs.450 crore. The project is expected to be completed by the year 2010.

5. ANP modification :

The ANP Plant at Trombay presently under shutdown needs modification to reduce cost of production for producing other NPK grades and for converting to granulation route. The technical offers received are being evaluated and project would be taken up at an estimated cost of Rs.126 crore.

2.7.3 Others

1. Joint Venture DAP Project, Rajasthan

Your Company has taken steps to incorporate a Joint Venture Company named "Rajasthan Rashtriya Chemicals & Fertilizers Ltd.," with M/s. Rajasthan State Mines & Minerals Limited (RSMML), at Jaipur with initial authorised capital of Rs.5 crore. The Company is being set up to undertake the project for manufacturing 850 MTPD DAP. The two partners would harness their resources. Rock Phosphate will be supplied by RSMML while your Company with its vast marketing network shall market the entire DAP produced. Your Company will have 51% equity while the balance will be with RSMML with a debt equity of 2:1. Estimated cost of this project is approx. Rs.406 crore. For setting up the plant, technical bids have been received and are under evaluation.

2. Coal based Chemical Complex

A techno-economic feasibility study has been carried out for setting up a chemical complex based on production of synthesis gas from coal. Latest Coal Gasification technology will be utilized which will allow use of coal with high ash content upto 30-35%. Survey of several locations around the coal belts in the country has been carried out. On preliminary assessment the erstwhile site of FCI Talcher appears to be the most suitable site in view of certain infrastructure facilities available and proximity to coal mines. Investment decision will be taken based on further study.

3. Revival of closed Fertilizer Units:

In view of the increasing demand for fertilizers and recent finds of gas in several parts of the country, Government of India is envisaging revival of several units, closed down previously. Your Company has identified two such units viz. at Durgapur (West Bengal) and Talcher (Orissa) which could be profitably revived. The units would give your Company markets in the Eastern Region of the country and would increase the turn over substantially. It is envisaged that approximately Rs. 6,000 crore would be the cost of the two projects.



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4. Other plans:

Your Company has been looking at other possibilities such as production of Bio-Ethanol, MAP and forming Joint Ventures abroad for sourcing raw material and is envisaging taking over assets of the fertilizer manufacturing units closed as of now and possible take overs.

The capex estimated for all projects in the XI Plan is about Rs.10,000 crore which will be met through internal resources, external borrowing and other sources of funding. Approval is being sought from the Company for enhancing the borrowing limits to Rs. 7,000 Crore in the AGM and approvals required for other sources of funds will be taken at appropriate time.

2.8.0. RESEARCH AND DEVELOPMENT:

Your Company has taken up several Research and Development projects, some of which, taken up for commercial scale design and engineering, are as under:-

1) *Molasses as Methanol substitute in denitrifying process:*

Methanol is used as feed for denitrifying bacteria in Effluent Treatment Plant. Molasses, a cheaper source, has been found to be a substitute to Methanol. Based on this encouraging laboratory studies, molasses as substitute has been experimented in plant trial with encouraging results.

2) *Liquid Acidifier (Chickton):*

A Chicken feed tonic has been developed with a formulation of liquid acidifier at laboratory scale for healthy growth of chicken. The product has been sponsored for a trial study to Department of Poultry Science, Bombay Veterinary College, Mumbai. The studies revealed that with the optimum dosage of 0.25 ml per litre, has enabled the chicken gain weight of 10% and yields about 30% additional income to poultries. Basic engineering & design has been developed for installing commercial plant of 1000 litres per batch.

3) *100% Water Soluble Mono Ammonium Phosphate:*

100% water soluble fertilizers are being used increasingly in the precision farming technique called fertigation to save water and fertilizer. 100% water soluble Mono Ammonium Phosphate (MAP) is one of the main raw material for producing 100% water Soluble fertilizers. It is also used as Fertilizer. A plant with a capacity of 3000 MT/ year has been designed and the project is being taken up in 1st quarter of 2007-08 to produce MAP 12:61:0. About 900 MT/ year of MAP manufactured will be captively

utilised for manufacturing Sujala 19:19:19 and balance will be sold.

4) *Calcium Nitrate Purification:*

R&D has developed a process to purify impure Calcium Nitrate [CN] solution which is an intermediate in ANP plant. The purified CN is used as coolant in the plant and is also used to prepare purified Chalk. A continuous process for producing purified CN and pure chalk has been developed for commercial exploitation and the project has been started.

2.9.0 CONSERVATION OF ENERGY:

Your Company has been continuously undertaking several modifications in the plants which have resulted in significant reduction in the energy consumption. Modifications made, in different plants, such as using Air from PAC III in Ammonia plant as Instrument air in Urea plant, passivation and stopping of blowers, coating of refractory by zirconium, installing High efficient energy motors and blowers, controlling excess oxygen in flue gas of service boilers, replacement of pumps, etc have resulted in conserving the energy by significantly bringing down consumption. Continuous efforts viz. surveys and studies are regularly carried out by your Company to meet the requirement of achieving energy efficient plant operations. In Trombay unit also several measures were taken, to conserve energy, such as by installing and commissioning of Hydrogen Gas Recovery Unit in August 2006 to recover hydrogen from Purge gas (resulting in enhancement of production of Methanol by 8 to 10 MT per day and saving energy in the form of Hydrogen being wasted), rewinding of MUG 'B' motor leading to 15% enhancement in capacity, installing energy friendly 65 Nos. of Metal Halide fitting etc.

Your Company's Thal unit was bestowed with three prestigious awards in 2006 on Environment such as National Award for Prevention of Pollution by Government of India, Greentech Environment Excellence Gold Award and Golden Peacock Award.

The particulars with regard to Conservation of Energy, Technology Absorption, Foreign Exchange outgo as required under Section 217 (i) (e) of the Companies Act, 1956 are enclosed **as Annexure I.**

3.0.0 ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL:

Your Company is not satisfied merely in meeting fully, all stipulated requirements laid down by the statutory authorities. The Environment Management Systems at both the units have been re-certified



under ISO14001. Internal Audits and management reviews are undertaken regularly to identify, if any, improvements are required to be undertaken. Measures taken to conserve water has yielded not only savings but also has further improved the environmental management. The state of the art Effluent Treatment plants and the Sewage Treatment plant at Trombay have ensured that the environment in and around the Units is fully protected.

Chembur Green Project launched to establish greenery in the eastern suburb, over a period of 27 years, has grown and brought back the green forestry amidst concrete jungle. The development of traffic islands, kitchen gardens, exhibitions, Rose shows and other activities in the schools and colleges have increased the environment consciousness among the citizens. Your Company continues distribution of the saplings and rendering advice to various co-op. societies and also to individuals.

4.0.0 PRINCIPLES OF GLOBAL COMPACT.

Your Company is a member of United Nations Global Compact and fully supports the Ten Principles in the areas of human rights, labour and environment which are derived from the earlier declarations by United Nations, ILO and other international organisations. Your Company has posted a detailed write-up on the implementation of the principles on its website www.rcfltd.com in this respect.

5.0.0 PUBLICITY AND PROMOTION:

Fertilizer promotion activities continued to play a major role in increasing brand equity. Some of the activities undertaken are as under:

Soil testing Services : Year 2006-07 has been declared as the Soil Enhancement year by Government of India. Your Company has undertaken several programmes on its part. Your Company conducted soil tests, free of charge, to help the farmers improve agricultural productivity. This is done by identifying problematic soil and recommending appropriate use of fertilizers. In all, over 70,000 soil samples were analysed during the year and recommendations given.

Publicity: Your Company's publicity programme focuses on enhancing brand image. Press, TV and Radio were extensively used to spread the Company's messages to its customers. Your Company has also undertaken field publicity like wall paintings, Village Indication boards etc. were extensively used. Calendars in different regional languages were published, which had wide appeal

to the customers. Your Company also participated in different State level exhibitions during the year. Literature and posters, appropriate to the themes, were distributed at different Krishimelas/crop seminars organised by your Company.

Your Company's Marketing Strategy includes the fertilizer promotion, farmers' education and rural development programmes. It's aim is to increase productivity through intensive and integrated extension activities in the field of Agriculture, recommending balanced use of fertilizers and simultaneously to extend the services as promoter, activator and organiser of various socio- economic and educational activities to improve the quality of life of various rural masses particularly small, marginal and SC/ST families.

5.1.0 Farmers' service:

Your Company continues to play an important role in promoting the cause of proper usage of fertilizers by the farming community to derive maximum value spent on their farm inputs. Your Company undertook crop specific development programs depending on the State/area. Your Company has established several Farmers' Services Centres for providing services such as soil sample collection, arranging farmers meeting, film shows, exhibitions and for providing general guidance in the fields of farming. Several farmers' / dealers' training programmes were conducted during the year at the Company's two Farmers Training Institutes.

5.2.0 HUMAN RESOURCES:

5.2.1 Training and Development:

The efforts to improve the most important capital of your Company namely, the Human Resources, has yielded result in the form of improved efficiency. In the continuously changing business environment, there is a requirement for upgrading the knowledge base. Thrust has, therefore, been given for training and development of human resources to augment the employees' managerial and professional skills. Several training and development programmes in Organisational Behaviour and Organisational Development and other related areas were organized by the Corporate Management Development Center and Training Institutes. Several in-house programs were conducted in the Corporate Management Development Centre besides sponsoring a large numbers to external programs organised by institutes of repute. Technical, Trade, as well as related support training courses were organised for the employees for taking on new job responsibilities emanating due to Voluntary Retirement and Superannuation.



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S/Shri Laxman Maruti Jogdankar, Senior Equipment Operator and Ashok D.Bhoir, Mazdoor (Gr. I) have been conferred the prestigious 'Guvant Kamgar Kalyan Puraskar' by Government of Maharashtra.

5.3.1 INDUSTRIAL RELATIONS:

Your Company maintained cordial industrial relation with all its employees. All the issues are settled through regular discussions, meetings and dialogues with the employees. Your Company has 4115 employees comprising of 1313 officers and 2802 workmen as on 31st March, 2007 compared to 4197 employees (1396 officers and 2801 workmen) as on the corresponding date of the previous year. The reduction in the strength is essentially on account of the retirements.

5.3.2 WELFARE AND SPORTS:

Your Company undertakes several welfare schemes like education, medical, transport, housing etc. according to the needs of the employees. In regards to sports, your Company is a prominent patron and sponsorer for various sports. Your Company's Football, Cricket, Hockey, Kabbadi and other teams continue to show excellent performance at District, State and National levels and have brought laurels to your Company by winning several prizes.

5.3.3 Employment opportunity to Weaker Sections:

The number of employees under the SC/ ST categories as on 31.3.2007 is as under :

Group	No. of Employees	SC	ST
A	1313	192	42
B	1390	162	58
C	1267	168	151
D	145	31	12
Total	4115	553	263

In addition to the above, 209 OBC employees are employed by your Company. All attempts are made to maintain the statutory representation of reserved category in Recruitment and Promotion.

During the year, your Company has recruited 67 employees and 109 Management Trainees. Due representation to SC/ST/OBC was given in recruitment.

Your Company is committed to the welfare of the backward class and SC/ST in general and employees in particular. Regular meetings are held with SC/ST Employees Association to address grievances, if any, and for providing guidance for development.

Your Company provided free lodging and boarding facility, uniform, textbooks, stationary and other equipments to SC/ST students at both the Units of the Company. Scholarships were given to meritorious students of SC/ST community in the nearby villages of Thal. Your Company has a scheme of SC/ST students Hostel at Trombay where SC/ST students adopted by your Company are placed and all their expenses are borne by your Company. An opportunity is given to the students to opt for higher studies or Apprenticeship Training in your Company.

Medical Camp is organised every year at Chaitya Bhoomi, Dadar on 6th December on the occasion of 'Mahaparinirvan Day'. Financial assistance for making arrangement for medical camp and for medicines alongwith the vehicles and Doctors was made available by the Company.

Financial assistance is provided every year to Dr. Babasaheb Ambedkar Samaj Kalyan Mandal for celebrating Dr. Babasaheb Ambedkar Jayanti. The same was provided this year also.

Your Company's Thal Unit provides various amenities like water, road for nearby villages eg. Thal, Navgaon, Boris, Gunjis etc. where the majority of the population belongs to the SC/ ST categories. The facility continued during the year.

Your Company's Marketing Strategy includes the fertilizer promotion, farmers' education and rural development programmes. It's aim is to increase productivity through intensive and integrated extension activities in the field on Agriculture, recommending balanced use of fertilizers and simultaneously to extend the services as promoter, activator and organiser of various socio economic and educational activities to improve the quality of life of various rural masses particularly small, marginal and SC/ ST families. The following activities were also taken up:

- (a) Training programmes were conducted for farmers at Company's Institute at Nagpur and Thal. Large number of SC/ ST farmers have undergone training in these programmes.
- (b) Your Company's Marketing Department has also given a special consideration in enrollment to the dealers belonging to SC/ ST category. A large number of dealers belonging to SC/ ST have already been appointment.

6.1.0 PARTICULARS OF EMPLOYEES:

None of the employees of your Company received a remuneration in excess of reportable amount



as laid down under section 217[2][A] of the Companies Act, 1956.

7.0.0 OFFICIAL LANGUAGE POLICY:

Yours Company has fully endeavored to implement the provisions of Official Language Act 1963 and the policy of the Government. Publicity material and literature for employees and farmers is made available in Hindi and other regional languages. In the financial year 2005-06 Department of Fertilizer has awarded your Company 3rd prize for the Excellent Performance of the Implementation of Official Language Hindi.

The award was received by CMD from Hon. Minister for Fertilizers Shri Ram Vilas Paswan, during the Hindi Salahakar Samiti meeting held on 11.11.2006. On 15.7.2006, Parliamentary Sub Committee inspected the work of Official Language of your Company and complimented for the work done in this regard. During the year 2006-07 Hindi work-shops were organised at Mumbai, Allahabad and Hyderabad.

8.0.0 INTERNAL CONTROL SYSTEM :

Your Company has designed a good Internal Control System to provide adequate assurance of the efficiency of operation and security of its assets. The effectiveness of the internal control systems, its adequacy and compliance with the laid down procedures is amply covered by Internal audit to assure that the accounting records are maintained as per Statutory requirements and that the financial and operational information is reliable. The Internal audit Group comprises of adequate number of financial and technical personnel.

Your Company has instituted sound Budgetary Control System. The detailed Capex and operational budgets are deliberated in detail by the Board before they are approved. Appropriate monitoring mechanism to compare the actual performance with the budgets ensures that necessary review is periodically undertaken.

9.0.0 COST AUDIT

As per the Government's directive, your Company's Cost Records in respect of manufacture of Fertilizers and Sulphuric Acid for the year ended 31st March, 2007 are being audited by the Cost Auditor Mr. Suresh D. Shenoy, Cost Accountant.

10.0.0 DIRECTORS' RESPONSIBILITY STATEMENT:

The Companies Act, 1956 requires the Board of Directors of your Company to prepare accounts for each financial year giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

The Directors state that:

- i] in preparing the annual accounts, the applicable accounting standards have been followed.
- ii] the accounting policies adopted have been consistently applied and wherever necessary, made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of the Company for the year.
- iii] proper and sufficient care has been taken for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv] the annual accounts have been prepared on going concern basis.

11.0.0 CORPORATE GOVERNANCE:

As per Clause 49 of the listing Agreement with the Stock Exchanges, a separate section on Corporate Governance along with a certificate of Compliance is annexed and forms part of this report.

12.0.0 DIRECTORS:

Shri J.Kohareswaran, has been appointed by the President of India, as a whole time Director (Marketing) w.e.f. 28.9.2006. Notice under section 257 of the Companies Act, 1956 has been received proposing the candidature of Shri J.Kohareswaran, as Director of your Company.

Dr. Ashok Misra, Shri Anil Agrawal and Shri I.C.Srivastava have been appointed by the President of India, as Directors w.e.f. 5.3.2007, and have been appointed as additional Directors on the Board. Notices under section 257 of the Companies Act, 1956 have been received proposing the candidature of Dr. Ashok Misra, Shri Anil Agrawal and Shri I.C.Srivastava as Directors of your Company.

As per Section 256 of the Companies Act, Shri H.S.Karangle and Dr. J.S.Maini, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

13.0.0 AUDITORS:

The Comptroller and Auditor General of India (CAG) has appointed, M/s. A.J.Shah & Co., Mumbai and M/s. Batliboi & Purohit, Mumbai, as Joint Statutory Auditors of your Company for the Financial Year 2006-2007. The Auditors would be retiring at the conclusion of the Twenty-Ninth Annual General Meeting.



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The Statutory Auditors for the Financial Year 2007-2008 will be appointed by the CAG. However, their remuneration is to be fixed at the AGM by the members.

14.0.0 ACKNOWLEDGMENT

Your Directors wish to gratefully acknowledge the valuable guidance and continued support extended by the Government of India and in particular, the Department of Fertilizers and the Office of Fertilizer Industry Co-ordination Committee (FICC).

The Board also wishes to acknowledge with sincere gratitude, the help and unstinted support from the State Governments, MSEB, MIDC, various media, Municipal authorities, Maharashtra Pollution Control Board, Bankers to your Company, Financial Institutions, Dealers and Customers.

The Board also wishes to place on record the positive suggestions and guidance provided by the Statutory Auditors, Cost Auditor and the Office of the Principal Director of Commercial Audit.

Last but not the least, your Directors take pleasure in placing on record their deep appreciation of the excellent contribution made by the employees of your Company at all levels, without which your Company would not have achieved such good performance.

By order of the Board of Directors

U.S.Jha
Chairman and Managing Director.

Date: 29/05/2007
Place: Mumbai

ANNEXURE I TO THE DIRECTORS' REPORT 2006-07

FORM A

A. PARTICULARS IN RESPECT OF CONSERVATION OF ENERGY

Sr No	Power and Fuel Consumption [Unis]	Current Year 2006-07			Previous Year 2005-06		
		Qty	Rate/unit (Rs)	Amount (Rs Lakh)	Qty	Rate/unit (Rs)	Amount (Rs Lakh)
1	Electricity						
	(i) Purchased (million KWH)	230.328	4.30	9904.99	246.733	4.19	10351.35
	(ii) Own Generation (million KWH)	217.639	6.13	13340.37	203.337	4.88	9917.17
2	Naphtha used (MT) (Feed & Fuel)	546385	27579.50	150690.15	479359	25531.76	122388.9
3	Associated Gas ('000 SM3) (Feed & Fuel)	1149682	3230.46	37139.99	1110590	3302.50	36677.24

B. CONSUMPTION PER UNIT OF PRODUCTION

Sr No	Product	Current Year 2006-07		Previous Year 2005-06	
		Production MT	Power MWH/MT	Production MT	Power MWH/MT
1	Ammonia Trombay I	41490	0.559	48885	0.591
2	Ammonia Trombay V	210560	0.238	196125	0.273
3	Ammonia Thal	1,079,050	0.0441	981650	0.045
4	Urea Trombay V	0	0	0	0
5	Urea Thal	1853130	0.051	1684561	0.0541
6	Suphala 20:20:0	35225	0.304	222800	0.102
7	Suphala 15:15:15	482800	0.068	430500	0.062
8	Methanol	60250	0.524	56085	0.528

**Form B****Disclosure particulars with respect to Technology absorption, Research & Development:****I Research & Development**

- | | |
|---|---|
| 1. Specific areas in which R & D carried out by the Company | Included in item No. 2.8.0 of the Directors' Report |
| 2. Benefits derived as a result of the above R&D | Improvement in the quality of products manufactured by the Company. |
| 3. Future plan of action | Setting up production units for the products developed by R&D. |
| 4. Expenditure on R & D | |
| (a) Capital | Rs. 5.75 lakh |
| (b) Recurring | Rs. 83.16 lakh |
| (c) Total | Rs. 88.91 lakh |
| (d) Total R &D expenditure as a percentage of total turn-over | 0.02% |

II Technology absorption, adaption and innovation

- | | |
|--|--|
| 1. Efforts in brief made towards technology, absorption, adaption and innovation | Included in item No.2.7.0 of the Directors' report |
| 2. Benefits derived as a result of efforts e.g. product improvement, product development, import substitution etc. | Production improvement, Energy savings and optimum use of resources. |
| 3. In case of imported technology imported during the last 5 years reckoned from the beginning of the financial years, following information may be furnished. | |

Sr. No.	Technology Imported	Year of import	Has technology been fully absorbed	If not, area where this has not taken place, reasons thereof and future plan of action
1	H P Nitric Acid, Uhde, India	2004	Yes	Not applicable
2	Ammonia- V Upgradation	2004	In progress	Not applicable
3	Upgradation of Concentrated Nitric Acid Plant (QVF, U.K)	2005	In progress	Not applicable

FORM C**FOREIGN EXCHANGE EARNINGS AND OUTGO**

- | | |
|---|--|
| 1. Activities relating to exports initiatives taken to increase exports, developments of new export markets for products and services and export plans. | Included in item No.2.2.3 of the Directors' report. |
| 2. Total foreign exchange used and earned | Included in annexure 'A' to Annual Accounts under the head "Additional Information". |



Note on Corporate Governance

1.1.0 Company's Philosophy.

Your Company believes that to be an effective business entity the organisation has to recognise its responsibilities to the stakeholders and should be guided by the principles of just and efficient governance for mutual benefit. Your company's corporate philosophy imbibes the ideal of this principle and accordingly has endeavoured to carry out all its operations in a transparent and fair manner.

1.1.1 Compliance with Clause 49 of the Listing Agreement:

Your Company being a Public Sector Undertaking, the Directors are appointed/nominated by President of India. The Board presently consist of 9 [nine] Directors comprising of two non executive official Directors, three independent directors and four Executive Directors. The two non executive directors are non- independent and hence the composition of the Board is not as per the requirement of Cl.49 of the Listing Agreement with the Stock Exchanges. Your Company has been continuously following up with the Government for appointment of independent directors and it is given to understand that the Government is likely to appoint requisite Independent directors. The independent Directors and the non-executive directors have been on the Board of other Companies and have rich experience in managing the business. The whole-time functional Directors are professionals in their respective fields having rich experience in varied Industries. The Composition of the Board after 30.11.2005 has not been in line with the requirement of Clause 49 of Listing Agreement. For the same reasons the composition of Audit Committee is also not in accordance with the requirement. Except for this, the Company has complied with all the requirements of Cl.49 of the Listing Agreement.

2.0.0 Board of Directors:

2.1.0 Composition of the Board:

As on date, the Board comprises of the following members:

Sr No	Name	Category
1.	Shri U.S.Jha and Managing Director	Whole-time Chairman (Chief Executive Officer)
2.	Dr. Jivtesh Singh Maini	Non-Executive Director-Govt. Nominee.

Sr No	Name	Category
3.	Shri Deepak Singhal	Non-Executive Director-Govt. Nominee.
4.	Shri M. Sundararaman	Whole-time Director [Finance]
5.	Shri H.S.Karangle	Whole time Director [Technical]
6.	Shri J.Kohareswaran	Whole-time Director [Marketing]
7.	Dr. Ashok Misra	Independent Director
8.	Shri Anil Agrawal	Independent Director
9.	Shri I.C.Srivastava	Independent Director

2.2.0 Appointment / Reappointment of Directors

- 2.2.1** Shri J.Kohareswaran, was appointed, as Director (Marketing) w.e.f. 28.9.2006. Before taking over the charge of Director (M), Shri Kohareswaran was Executive Director (Marketing). He worked in various capacities in Finance department and also Audit department. He is a Fellow Member of Institute of Cost & Works Accountants of India and also Associate Member of Institute of Management Association. He was awarded with 3rd Indira Gandhi National Excellent Manager Award for excellence in Central Public Undertaking.
- 2.2.2** Dr. Ashok Misra was appointed as additional Director w.e.f 5.3.2007. Dr. Misra is B.Tech (Chem. Engg) from IIT Kanpur, M.S. in Chemical Engg. from Tufts University. Dr. Misra is presently Director (IIT), Mumbai and has varied and rich experience. Presently he is Director in M/s. NTPC Ltd., and M/s. Reliance Industries Ltd.
- 2.2.3** Shri Anil Agrawal, was appointed as additional Director w.e.f. 5.3.2007. Shri Agrawal is a Chartered Accountant by profession. He is having varied and rich experience in the fields of Accounts, Audit, Financing, Project preparation. Presently, Shri Agrawal is Director in M/s. MECON Ltd.
- 2.2.4** Shri I.C.Srivastava, was appointed as additional Director w.e.f. 5.3.2007. Shri Srivastava, is a retired IAS officer. He has worked in Central as well as Rajasthan State Government undertaking. He is also having varied and rich experience not only as IAS, but also being on the Board of several Companies. Presently, Shri Srivastava, is Director in M/s. Paradeep Phosphates Ltd and M/s. Maharashtra Polybutenes Ltd.



2.2.5 Dr. Jivtesh Singh Maini is from Indian Administrative Service (IAS) and is presently, Addl. Secretary and Financial Adviser to Government of India, Ministry of Chemicals & Fertilizers, Department of Fertilizers. Dr. Jivtesh Singh Maini has varied and rich experience not only as an IAS Officer but also being on the Board of several companies. Presently, he is director on the Board of Krishak Bharati Co-op Ltd., National Fertilizers Ltd., Hindustan Antibiotics Ltd., Hindustan Organic Chemicals Ltd., and FACT Ltd.

2.2.6 Shri H. S. Karangle is a Mechanical Engineer by profession, joined in the Company (erstwhile FCI) in the year 1972 as JE (T) and has taken up responsibilities in several functions before his elevation as Board member in December, 2003. He has immense knowledge and the vast experience in the Company. He is member on the Committees such as Audit Committee, Board Management Committee etc.

2.3.0 Board procedure:

2.3.1 As per the policy of your Company, apart from the matters which are required to be statutorily decided by the Board, all other major decisions involving investments and capital expenditure, mobilization of resources, Employee's Compensation etc. and major issues such as monthly performance, progress of projects, Industrial relations, market scenarios, budgets and plans etc are discussed in the meetings as regular agenda items by the Board. All items which are obligatory as per the Corporate Governance code to be brought in the Board meetings are regularly discussed. Detailed agenda notes are circulated generally about a week in advance of the Board meetings. During the year under review, 7 [seven] meetings were held by the Board viz. on 26.5.2006, 21.7.2006, 18.8.2006, 27.10.2006, 8.11.2006, 21.12.2006 and 31.1.2007. The number of meetings attended by the Directors during the year are as under:

Name of Directors	Number of meetings held	Number of meetings attended	Whether attended last AGM	Directorship in other companies		Membership in Board's Committees (including this Company)	
				As Chairman	As Member	As Chairman	As Member
Shri U.S.Jha (Executive)	7	7	Yes	1	1	-	-
Shri M. Sundararaman (Executive)	7	7	Yes	-	-	-	3
Shri H.S.Karangle (Executive)	7	7	Yes	-	-	-	3
Shri J.Kohareswaran, [Executive]	4	3	NA	-	-	-	-
Dr.Jivtesh Singh Maini (Non Executive)	7	7	Yes	-	4	2	-
Shri Deepak Singhal (Non Executive)	6	3	Yes	1	2	2	-
Dr.Ashok Misra (Independent Director) (from 5.3.2007)	-	-	N.A	-	2	-	1
Shri Anil Agrawal (Independent Director), (from 5.3.2007)	-	-	N.A	-	1	-	-
Shri I.C. Srivastava, (Independent Director) (from 5.3.2007)	-	-	N.A	-	2	-	-
Shri B.K.Sinha, (Non Executive) (upto 12.7.06)	1	1	NA	-	-	1	-

2.3.2 The Board has constituted the following Committees to take decisions, review policies and systematise management process.

[i] **Audit Committee:**

For the Financial year 2006-07, the Audit Committee comprises of Dr. J.S.Maini as Chairman, Shri M.Sundararaman, Shri H.S.Karangle as Members and Company Secretary as the Secretary of the Committee. The Chief Vigilance Officer and Chief General Manager (Internal Audit) are permanent invitees who have attended all the meetings. [With the induction of 3 independent

directors, [w.e.f. 5.3.2007] during the Board Meeting held on 7.5.2007, the Audit Committee has been re-constituted with Shri I.C. Srivastava, Chairman, Shri Anil Agrawal, and Shri H.S. Karangle as members and Company Secretary as Secretary of the Committee. Shri M. Sundararaman, Shri J.Kohareswaran, Chief Vigilance Officer and Chief General Manager (Internal Audit) are permanent invitees.]. The Statutory Auditors (after being appointed by CAG) and Cost Auditors are also invited for the meetings. Other Senior Executives are invited as and when required. The Committee is entrusted with power to seek information from any



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employee, to investigate, with the assistance of Internal Auditors, any activities/ functions and to seek any external assistance if required. The terms of reference to the Committee is in accordance with the requirement of Clause 49 of the Listing Agreement and include inter-alia, (i) overseeing of the Company's financial reporting process and disclosure of information (ii) recommending the remuneration of Statutory Auditors (iii) reviewing with management, external Auditors and Internal Auditors of the adequacy of internal control systems, compliance with accounting standards, guidelines and statutes (iv) reviewing the financial statements and performance of the Company.

The Committee reviewed the audits conducted by Internal Auditors and sought further investigations and examinations wherever necessary. The Committee also reviewed the financial statements before submitting to the Board and gave importance to the internal Control Systems. All the recommendations of the Audit Committee were accepted and implemented.

During the year, 4 meetings of the Audit Committee were held on 26.5.06, 21.7.06, 27.10.06 and 31.1.07 and the attendance was as under:

Name of Directors	Number of meetings held	Number of meetings attended
Dr. J.S. Maini (Chairman)	3	3
Shri M.Sundararaman	4	4
Shri H.S.Karangle	4	4
Shri B.K.Sinha (upto 12.7.06)	1	1

[ii] **Share holders' Grievance Committee:**

The shareholders' grievance committee comprises of Shri B.K. Sinha, Chairman [upto 12.7.06], Shri Deepak Singhal, Chairman [from 21.7.06] and Shri H.S. Karangle, as member and Company Secretary as Secretary. There have been no serious complaints, during the year. A few routine letters received in connection with non-receipt of share certificates, dividend warrants have been attended to promptly and no complaint is pending with your Company. During the year, 37 complaints were received and all have been attended to. Regular reports have been sent to SEBI and Stock Exchanges in this respect.

[iii] **Share Transfer Committee:**

The Share Transfer Committee comprises of Shri U.S.Jha, CMD and Shri K.C.Prakash, Company Secretary as the member. This committee meets once in a week and the shares are transferred on weekly basis, hence there are no pending cases for transfer.

[iv] **Remuneration Committee:**

The Board has not constituted the Remuneration Committee since your Company is a Public Sector Undertaking and its remuneration policies need to be, and are, in accordance with the directions and guidelines issued by the Government of India from time to time.

[v] **Board's Management Committee:**

The Board has constituted a Management Committee consisting of Dr. J.S. Maini, as Chairman Shri M. Sundararaman and Shri H.S. Karangle as members. The committee has been entrusted with taking decisions regularly of the operations of your Company's business including that of issuing of Contracts and placement of orders.

[vi] **Project Implementation Committee:**

Board has constituted the Project Implementation Committee comprising of Shri Deepak Singhal, Chairman and Shri M. Sundararaman, Director [Finance] and Shri H.S.Karangle, Director [Tech] as members to study all the ongoing as well as the future projects and to advise the Board, from time to time.

2.3.3. **Remuneration / Sitting fee :**

Functional (Executive) Directors are appointed by President of India in accordance with Article 81(1) of the Articles of Association of your Company and their remuneration and other terms and conditions are governed by the terms of appointment as decided by the Government. While the Chairman and Managing Director is appointed in Schedule 'A' scale i.e. Rs.27750-750-31500/-, the other functional Directors are in Schedule 'B' Scale i.e. Rs. 25750-650-30950/-. All the other terms and conditions of appointment such as accommodation, provision of car etc are same for all and are specified in their respective appointment orders and any other terms not specified in their respective orders shall be in accordance with the rules applicable to the employees of your Company. Remuneration paid to the Directors during the year is as under:

[Amount Rupees]

Name	Salary	PF contribution	Medical expenses	Leave encashment / LTC	Gra-tuity	Total
Shri U.S.Jha	803215	114101	0	0	0	917316
Shri M.Sundararaman	753501	103300	0	0	0	856801
Shri H.S.Karangle	791589	98459	0	93660	0	983708
Shri J.Kohareswaran (from 28.9.2006)	367787	30979	0	0	0	398766



The non-Executive Directors are not paid any remuneration. They are paid sitting fee for attending the Board Meetings/ Committee meetings as per the fee decided and approved by the Board.

During the year 2006-07, the sitting fee paid to the Directors was as under:

Amount (Rs.)

Sr No	Name of the Directors	Board meetings	Committee meetings.	Total
1.	Dr. J.S.Maini	10,000	5,000	15,000
2.	Shri D.Singhal	5,000	-	5,000
3.	Shri B.K.Sinha	10,000	10,000	20,000

3.0 Code of Conduct for Directors and Senior Management Personnel:

All Directors and Senior Management Personnel have complied with the code and the compliance of the same has been affirmed by them. A declaration signed by Chairman and Managing Director is given below:

This is to certify that in line with the requirement of Clause 49 of the Listing Agreement, all the Directors of the Board and Sr. Management personnel have solemnly affirmed that to the best of their knowledge and belief, have complied with the provisions of the 'Code of Conduct for the Directors and Senior Management' during the financial year 2006-07.

U.S.Jha

Chairman and Managing Director

4.0 CEO/ CFO Certification:

Chairman & Managing Director [CEO] and Director [Finance] [CFO] have certified to the Board of Directors in accordance with the requirement of CEO/ CFO certification, after reviewing the financial statements and cash flow statements, as under :

The Board of Directors
Rashtriya Chemicals and Fertilizers Limited
Priyadarshini, Eastern Express Highway,
Sion, Mumbai - 400 022

CEO/CFO Certification for the Financial Year ending on 31st March, 2007

This is to certify that:

- (a) We have reviewed the Company's Balance Sheet as at 31st March, 2007, the Profit and Loss Account [financial statements] and the cash flow statement as on 31st March, 2007 and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) 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.

- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee;
 - (i) Significant changes in internal control over financial reporting during the financial year 2006-07.
 - iii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
- (e) There have been no instances of significant fraud of which we have become aware of or any involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

M. Sundararaman

Director (Finance)

U. S. Jha

Chairman and Managing Director

5.0 Annual General Meeting [AGM]:

The details of the last three AGMs held are as under:

Financial Year	Time and Date	Venue
2005-06	3 p.m. on 18.8.06	Sivaswamy Auditorium,
2004-05	3 p.m. on 26.7.05	Fine Arts Hall,Chembur,
2003-04	3 p.m. on 29.7.04	Mumbai 400 071

There were no special resolution passed in the last three meetings. The company has also not put through any resolutions by postal ballot during the year.

6. Disclosures:

- 6.1.1** Materially significant related party transactions:
There are no related party transactions entered into by your Company with the promoters, Directors or Management and their subsidiaries or relatives etc. that may have a potential conflict in the interest of your Company.
- 6.1.2** Your Company has complied with all the provisions of the Companies Act, Listing Agreement with Stock Exchanges, SEBI guidelines, and other authorities



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on any matter related to capital markets during last 3 years.

6.1.3 Whistle blower policy:

The Company has instituted procedures for the receipt, retention and dealing with complaints. No person has been denied access to the audit committee.

6.1.4 The Company has complied with all mandatory requirements of Cl. 49 of the Listing Agreement, except to the extent of the representation of Independent Directors on the Board and Audit Committees, as stated in para 1.1.1

6.1.5 Trading in your Company's shares by Directors and designated Employees:

Shri U.S.Jha holds 100 shares of your Company on behalf of President of India, and does not hold shares in personal capacity. None of the other Directors hold shares in your Company.

The SEBI has amended the SEBI (Insider Trading) Regulation, 1992. As per the Regulation, your Company is required to have a Compliance Officer reporting to MD/CEO who is responsible for setting up the policies, procedure, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of the trade, monitoring of trades, implementation of the code of conduct under the overall supervision of the Board. Shri K.C.Prakash, Company Secretary has been appointed as Compliance officer. Code of conduct for prevention of Insider trading has been circulated to all employees and they have been advised to obtain clearance for trades.

7.0 Means of Communication

The un-audited quarterly, first half yearly (as reviewed by Chartered Accountants) as well as the audited annual financial results of your Company

were published in prominent news papers on all India basis, as per the requirements of the Stock Exchanges/SEBI, though none of these were specifically sent to each house hold of shareholders. The information is also made available on Company's website (www.rcfltd.com). Notices required as per Companies Act and the listing Agreements were also published in accordance with the requirements. The financial statements and the shareholding pattern have also been posted on EDIFAR of SEBI's website. During the year your Company has not made any presentation to institutional investors or Financial Analysts.

8.0 Management Discussion & Analysis Report

Management discussion & Analysis Report forms part of the Directors' Report.

9.0 General Shareholder information:

9.1 Your Company has appointed M/s Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mill Compound, Bhandup, Mumbai 400 078, as the Registrar and Transfer agents of your Company. The Share Transfer Agents have service centers at Delhi, Kolkata, and Chennai where also the transfer deeds are accepted. All requests received for transfer through the investors' Depository Participants (DP) are processed through NSDL/CDSL and downloaded periodically by the Registrars and records updated. Requests for transfer in physical form are received at your Company's registered office or at the Registrar's offices. Transfers are effected within a fortnight.

9.2 During the year, your Company's shares were actively traded on BSE and NSE. The shares were traded in the range of maximum Rs.72.30 [on 3.5.06] and the minimum of Rs.27.90 [14.6.06]. The monthly highest and lowest price of the shares are given below:

Sr No	Month	Stock Exchange, Mumbai						National Stock Exchange				
		Sensex	BSE PSU	High (Rs)	Low (Rs)	Shares (cr)	Value (Rs cr)	Nifty	High (Rs)	Low (Rs)	Shares (Rs)	Value (Rs cr)
1	April 06	12042	6147	59.80	36.70	2.16	112.50	3557	59.70	35.75	2.69	139.73
2	May 06	10398	5236	72.30	41.80	2.30	146.29	3071	72.30	43.50	3.18	199.96
3	June 06	10609	4950	45.70	27.90	0.41	14.3	3128	45.05	27.75	0.60	21.22
4	July 06	10743	5051	36.50	30.70	0.14	0.46	3143	36.50	30.70	0.21	6.96
5	Aug 06	11699	5556	42.80	32.55	0.61	24.01	3413	42.80	32.40	0.80	31.01
6	Sept 06	12454	5816	46.00	40.50	0.76	33.39	3588	45.90	40.55	0.92	39.61
7	Oct 06	12961	5965	45.75	40.80	0.65	28.22	3744	45.75	40.80	0.65	28.30
8	Nov 06	13696	6192	42.25	36.60	0.37	14.64	3954	42.00	37.00	0.39	15.50
9	Dec 06	13786	6033	39.70	33.25	0.26	0.97	3966	40.00	33.10	0.29	11.02
10	Jan 07	14090	6300	47.50	37.15	0.82	35.21	4082	47.40	37.20	0.82	35.22
11	Feb 07	12938	5713	50.00	39.90	1.23	55.58	3745	49.85	40.00	1.28	57.70
12	Mar 07	13072	5921	41.60	33.50	0.30	10.73	3821	44.25	32.50	0.28	10.17



9.3 Out of the disinvested portion of 4,13,73,200 shares, 99.34% [i.e.41101411 shares] are in demated segment.

9.4 Your Company's financial year is 1st April 2006 to 31st March 2007.

The Share holding pattern as on 31st March 2007 is as under:

Category	No. of Shares	% of Holding
Promoters (GOI)	510314900	92.50
Institutions		
Mutual Funds and UTI	2529724	0.46
Financial institutions, Banks etc	7448749	1.35
FIs	1413800	0.25
Sub Total	11392273	2.06
<i>Others</i>		
Private Corporate Bodies	4861125	0.88
Indian Public	24614923	4.46
NRIs/OCBs	504879	0.10
Sub Total	29980927	5.44
Grand Total	551688100	100.00

9.5 Your Company has not issued any GDRs/ADRs/Warrants or any convertible instruments so far.

9.6 Unclaimed Dividend

In case of non-receipt of dividend, shareholders may write to the Company Secretary or its R&TA furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars in case of dematerialized shares. On verification of the records, if the dividend warrants remains unpaid in the records of the Company after expiry of the validity period, the R&TA/Company would request the concerned shareholder to execute an indemnity and send to the Company and on receipt of this, duplicate dividend warrant will be issued.

Payment of dividend through Electronic Clearing Service [ECS] facility. ECS would be an additional mode of payment. Presently, ECS facility is made available to the investors residing in selected cities - viz. Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad Jaipur, Kanpur, Mumbai, Nagpur, New Delhi and Thiruvananthapuram. Investors holding shares in physical form may send their ECS mandate form duly filed in to the Company or its R&TA. However, if the shares are held in dematerialized form, ECS mandate has to be sent to the concerned Depository Participant [DP] directly, in the format prescribed by the DP.

Unclaimed dividend. Pursuant to the provisions of Section 205-[5] of the Companies Act, 1956, dividend for the financial year ended 31st March, 2000 and thereafter which remain unclaimed for a period of 7

years will be transferred by the Company to the Investor Education and Protection Fund [IEPF] established by the Central Government pursuant to Section 205-C of the Companies Act, 1956. The information in respect of unclaimed and unpaid dividend declared for 1999-2000 and thereafter is given below :

Sr No	Financial Year	Date of declaration of dividend	Last date for claiming unpaid dividend
1	31.03.2000	29 th September 2000	28 th September, 2007
2	31.03.2001	28 th September 2001	27 th September, 2008
3	31.03.2002	30 th August, 2002	29 th August, 2009
4	31.03.2003	31 st July, 2003	30 th July, 2010
5	31.03.2004	29 th July, 2004	28 th July, 2011
6	31.03.2005 (Interim)	18 th February, 2005	17 th February, 2012
7	31.03.2005	26 th July, 2005	25 th July, 2012
8	31.3.2006	18 th August, 2006	17 th August, 2013

9.7 The Registered and Corporate office of your Company is at "Priyadarshini", Eastern Express Highway, Sion, Mumbai 400 022. Your Company has two manufacturing complexes located at Mahul Road, Trombay, Mumbai-400 071 and at Alibag, Thal, Raigad District, Maharashtra. Your company markets its products through various marketing offices.

9.8 Registered Office/Address for Correspondence:

The Company Secretary
Rashtriya Chemicals and Fertilizers Limited
"Priyadarshini", 10th floor, Sion, Mumbai 400 022.India.
e-mail: investorcommunications@rcfld.com

10.0 Calendar of events:

	Event	Likely date
(i)	Announcement of Ist Quarterly (unaudited) financial result for FY 2007-2008	27 th July, 2007
(ii)	Book Closure for the purpose of Dividend and AGM.	From 25.6.2007 to 6.7.2007 (both days inclusive)
(iii)	AGM for 2006-07 : <i>Venue:</i> Yogi Sabhagruh Behind Swaminarayan Mandir Dadar (East), Mumbai-400014	6.7.2007 at 3 p.m.
(iv)	Announcement of unaudited half yearly result for FY 2007-2008	26 th October, 2007
(v)	Announcement of Illrd quarterly (unaudited) financial result for FY 2007-08	21 st January, 2008
(vi)	Announcement of Audited results for FY 2007-2008	7 th May, 2008



Rashtriya Chemicals and Fertilizers Limited

11. Listing of Shares on Stock Exchanges:
Your Company's shares are presently listed on the following Stock Exchanges:

- (i) The Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 [Stock code 524230]
- (ii) National Stock Exchange of India Limited, (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra [E], Mumbai 400 051.[Stock code RCF]

11.1 Distribution of shareholding:

The shareholding distribution of equity shares of nominal value of Rs.10/- each as on 31st March 2007 is as under.

Sr No.	No. of Shares held	No. of shareholders	% of total	Share amount [Rs]	% of total
1	upto 500	32692	80.83	65222310	1.18
2	501-1000	4219	10.43	36638700	0.66
3	1001 –2000	1741	4.30	28110830	0.51
4	2001-3000	598	1.48	15809040	0.29
5	3001-4000	261	0.65	9633550	0.18
6	4001-5000	286	0.71	13847690	0.25
7	5001-10000	370	0.91	28376730	0.51
8	10001-and above	280	0.69	5319242150	96.42
	Total	40447	100.00	5516881000	100.00

11.2 Your Company has paid listing fee for the Financial Year 2007-08 to both BSE and NSE where the securities are listed. There has been no default in the payment of listing Agreement fee. Your Company has also paid Annual Custody fee to NSDL and CDSL and there is no default in payment to the depositories.

11.3 Dividend policy.

Your Company has been paying dividend from its inception except in the years 1993-94 and 2002-03. Your Company endeavours to pay dividend ensuring generally that the pay out is about 30% of its net profit after tax.

11.4 Performance in comparison to broad-based indices.

The relative performance of the shares with that of indices is as under :

	Sensex	Nifty	BSE-PSU Index	RCF Price (Rs.) (BSE)
April 2005	11342.96	3557.60	6143.03	37.70
March 2006	13072.10	3821.55	5921.88	35.05
Increase/(decrease)	1729.14	263.95	(221.15)	(2.65)
% of Increase/ (decrease)	15.24	7.42	(3.60)	(7.03)

CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT (S)

To

The Members of

Rashtriya Chemicals and Fertilizers Limited

1. We have examined the compliance of the conditions of Corporate Governance by Rashtriya Chemicals and Fertilizers Limited for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of conditions of Corporate Governance. It is neither an audit not an expression of opinion on the financial statements of the Company.
3. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.
4. (a) The Board of Directors comprises of nine directors, two non-executive official Directors, three independent Directors and four Executive Directors. The two non-executive directors are non-independent. The composition of the Board and of Audit Committee is not in accordance with the requirement of clause 49 of the Listing Agreement(s).
 - (b) Subject to 4(a) above, in our opinion and to the best of our information and according to the explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) have been complied with by the Company.

For **Bhandari & Associates**

Company Secretaries

S.N.Bhandari

Proprietor

C.P. 366

Mumbai, 7th May, 2007



Auditors' Report

The Members, Rashtriya Chemicals And Fertilizers Limited Mumbai

1. We have audited the attached Balance Sheet of Rashtriya Chemicals and Fertilizers Limited as at 31st March 2007, the Profit and Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) (herein after referred to as "the Order") issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. We draw attention to note no.8 of Schedule XV to the accounts regarding the claim of additional subsidy accounted on estimated basis. Pending final settlement of such claims, the effect arising out of this, if any, is unascertainable.
5. Further to our comments in the annexure referred to above, we report that :
 - i. 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;
 - ii. 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 ;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ;
 - v. Central Government has directed vide notification no. G.S.R.829(E), dt. 21.10.2003 that clause (g) of sub-section (1) of section 274 of the Companies Act is not applicable to a Government Company.
 - vi. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Remittance in transit and various other debit/credit balances as per financial statement are subject to confirmation and adjustments necessary upon reconciliation and stabilization of SAP ERP system (Refer Note No 7 of Schedule XVI). The effect of the adjustments arising from reconciliation/stabilization of SAP ERP system and settlement of outstanding dues and resultant effect that may arise on such account is not ascertainable. We are unable to express an opinion about the impact thereof on the accounts and the profit for the year.
 - vii. Subject to our comments in para 5(vi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and the Notes forming part of accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view;
 - a. in the case of the Balance Sheet of the state of affairs of the company as at 31st March 2007
 - b. in the case of Profit and Loss Account of the profit for the year ended on 31st March 2007 and
 - c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **A.J. Shah & Co.**
Chartered Accountants

Hiren C. Shah
Partner
Membership No. 100052
Mumbai
Date : 7th May 2007

For **Batliboi & Purohit,**
Chartered Accountants

R.D. Hangekar
Partner
Membership No.30615



Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of Rashtriya Chemicals & Fertilizers Ltd on the accounts for the year ended 31st March 2007, we report that:

- (i) (a) The Company has maintained proper records showing particulars including quantitative details and situation of fixed assets with original cost and depreciation written off in respect of identifiable units of assets and where such information for identifiable units of assets is not available, the records show the cost and depreciation written off in respect thereof as a group or class. The items of assets in respect of which quantitative details are not linked with the cost or book value are of small value acquired prior to April 1978 and are fully depreciated particularly in respect of movable items acquired from Fertilizers Corporation of India Limited.
- (b) As informed to us, the fixed assets have been physically verified by the management with the help of an independent outside agency at reasonable intervals. We have been informed that discrepancies noticed on physical verification of fixed assets as compared to the book records were not material.
- (c) During the year, the Company has not disposed of a substantial part of its fixed assets.
- (ii) (a) Physical verification of finished goods, packing materials and raw materials inside factory premises has been carried out by the management at reasonable intervals and the stocks of stores and spares parts has been conducted by them with the help of an independent outside agency in a phased program so as to complete the verification of all items over a period of four years. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively.
- (b) In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventory followed by 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. In our opinion, discrepancies noticed on physical verification of stocks were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- (iii) As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause iii(b)/(c)/(d) of the Order is not applicable to the Company.
- (iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.
- (v) (a) According to the information and explanations given to us, transactions that need to be entered into register in pursuance of Section 301 of the Companies Act, 1956 has been entered into by the Company.
- (b) In our opinion, the aforesaid transactions have been made at price which are reasonable having regard to the market prices prevailing at the relevant time by the Company.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under. Hence, clause 4(vi) of the Order is not applicable.
- (vii) The Company has an adequate in house internal audit system, which is generally commensurate with the size of the company and nature of its business.
- (viii) We have broadly reviewed the books of accounts maintained by the Company in respect of its product i.e. Methanol, Sulphuric Acid and Fertilizers pursuant to the order of Central Government for maintenance of cost records prescribed 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. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed, maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for other products of the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and



- protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Custom Duty, Excise Duty, Cess and other Statutory dues wherever applicable, and as at 31st March 2007, there were no undisputed dues payable 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 dues of sales tax, income tax, customs, wealth-tax, excise duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as given in the appendix to the annexure.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year.
- (xi) In our opinion and according to the information and explanations given to us, during the year the Company has not defaulted in repayment of dues to banks. The company did not have any repayment due to Financial Institutions or debenture holders during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi/mutual benefit fund/society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order are not applicable to the company.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.
- (xvi) According to the information and explanation given to us, the term loans raised during the year have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any outstanding debentures during the year. Accordingly, no securities have been created.
- (xx) The Company has not raised any money by public issues during the year covered by our report.
- (xxi) To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **A.J. Shah & Co.**
Chartered Accountants

Hiren C. Shah
Partner
Membership No. 100052
Mumbai
Date : 7th May 2007

For **Batliboi & Purohit,**
Chartered Accountants

R.D. Hangekar
Partner
Membership No.30615



Rashtriya Chemicals and Fertilizers Limited

BALANCE SHEET AS AT 31ST MARCH, 2007

Rupees in crore

	SCHEDULE	AS AT 31.3.2007	AS AT 31.3.2006
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS :			
a) Share Capital	A	551.69	551.69
b) Reserves and Surplus	B	898.61	814.41
		<u>1450.30</u>	<u>1366.10</u>
2. LOAN FUNDS :			
a) Secured Loans	C	220.96	337.24
b) Unsecured Loans	D	734.27	100.00
		<u>955.23</u>	<u>437.24</u>
3. DEFERRED TAX LIABILITY			
Deferred Tax Liability		216.91	193.34
Less: Deferred Tax Asset		49.92	49.37
		<u>166.99</u>	<u>143.97</u>
TOTAL		<u><u>2572.52</u></u>	<u><u>1947.31</u></u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS :			
a) Gross Block	E	2658.22	2456.49
b) Less : Depreciation / Amortisation		1615.24	1557.01
c) Less : Loss on Impairment of Assets		27.07	27.07
d) Net Block		<u>1015.91</u>	<u>872.41</u>
e) Capital work-in-progress(CWIP) including Capital advances (current year Rs.30.36 crore; previous year Rs 14.40 crore) (Includes loss on exchange variance C.Y. Rs.1.44 crores P.Y. Rs.NIL)		119.38	207.58
		<u>1135.29</u>	<u>1079.99</u>
2. INVESTMENTS	F	0.17	0.17
3. CURRENT ASSETS, LOANS AND ADVANCES :			
a) Inventories	G	720.25	404.50
b) Sundry Debtors	H	882.54	719.79
c) Cash and Bank Balances	I	230.54	66.57
d) Loans and Advances	J	229.20	357.58
		<u>2062.53</u>	<u>1548.44</u>



BALANCE SHEET AS AT 31ST MARCH, 2007

Rupees in crore

	SCHEDULE	AS AT 31.3.2007	AS AT 31.3.2006
4. CURRENT LIABILITIES AND PROVISIONS :	K		
a) Current Liabilities		421.16	489.05
b) Provisions		207.31	196.84
		628.47	685.89
Net Current Assets		1434.06	862.55
5. MISCELLANEOUS EXPENDITURE (To the extent not written off)	L	3.00	4.60
TOTAL		2572.52	1947.31
Statement of Significant Accounting Policies	XV		
Notes on Accounts	XVI		

As per our report of even date attached

For **A.J. Shah & Co.**
Chartered Accountants**U.S.JHA**
Chairman and Managing Director**Hiren C.Shah**
Partner**M.Sundararaman**
Director (Finance)For **Batliboi & Purohit**
Chartered Accountants**K.C.Prakash**
Company Secretary**R.D.Hangekar**
PartnerDated : 07.05.2007
Place: MumbaiDated : 07.05.2007
Place: Mumbai



Rashtriya Chemicals and Fertilizers Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

Rupees in crore

	SCHEDULE	Year Ended March 2007	Year Ended March 2006
INCOME FROM OPERATIONS			
Sales	I	1900.09	1795.14
Less : Excise on Sales		71.63	55.26
Net Sales		1828.46	1739.88
Subsidy on Urea & Complex Fertilizers	II	1659.53	1306.95
Interest	III	1.84	16.20
Other Income	IV	84.98	85.71
TOTAL		3574.81	3148.74
COST OF OPERATIONS			
Transfer of Finished Product Stock from trial run		0.25	0.00
Purchases of Finished Products/ Bought out Products	V	478.88	218.94
Materials Consumed (Net of transfer to CWIP / Asset capitalised)	VI	1257.24	1104.07
Salaries,Wages,Bonus and Benefits to Employees	VII	179.25	159.57
Power and Fuel (Net of transfer to CWIP / Asset capitalised) (C.Y.Rs.3.88 crore,P.Y.NIL)		1124.16	897.61
Freight and Handling charges		274.91	240.40
Excise Duty (Net)		0.21	1.84
Repairs and Maintenance	VIII	63.16	60.95
Other Expenses (Net of transfer to CWIP / Asset capitalised)	IX	174.23	131.70
Interest	X	48.77	17.00
(Accretion) / Decretion to stocks	XI	(340.82)	32.94
Research and Development	XII	0.83	1.16
Depreciation/Amortisation (Refer note 1& 2 of Schedule 'E')		75.42	68.53
Provision for Doubtful Debts/Claims /Advances written off		2.37	5.26
Provision for obsolescence of Stores and Spares		0.42	1.28
Bad Debts written off		1.31	0.07
		3340.59	2941.32
Less:Transfer Credits	XIII	7.09	7.64
TOTAL		3333.50	2933.68
Operating profit		241.31	215.06
Add : Adjustments relating to prior years Debit (-) / Credit (Net)	XIV	(0.07)	0.61
Add : Excess/(Short) provision for tax written back/off for earlier years		0.22	0.00
Profit before tax		241.46	215.67
Less : Provision for Current Taxation		68.00	75.30
Less : Provision for FBT		1.70	1.70
Less : Deferred Tax Expenses / Savings		23.02	(9.29)
Profit for the year after tax		148.74	147.96



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

Rupees in crore

	SCHEDULE	Year Ended March 2007	Year Ended March 2006
Surplus available for Appropriation		148.74	147.96
APPROPRIATIONS			
Dividend Proposed		55.17	55.17
Tax on Dividend Proposed including Education cess		9.38	7.74
Transferred to Profit & Loss Account		0.00	0.00
Transferred to General Reserve		84.19	85.05
		148.74	147.96
Statement of Significant Accounting Policies	XV		
Notes on Accounts	XVI		
Earnings Per Share (Basic) Rupees (Refer Note No.14 of Schedule XVI)		2.70	2.68

As per our report of even date attached

For **A.J. Shah & Co.**
Chartered Accountants

U.S.JHA
Chairman and Managing Director

Hiren C.Shah
Partner

M.Sundararaman
Director (Finance)

For **Batliboi & Purohit**
Chartered Accountants

K.C.Prakash
Company Secretary

R.D.Hangekar
Partner

Dated : 07.05.2007
Place: Mumbai

Dated : 07.05.2007
Place: Mumbai



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

	AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "A" SHARE CAPITAL		
Authorised		
80,00,00,000 Equity Shares of Rs.10/- each.	800.00	800.00
Issued, Subscribed and Paid Up	551.69	551.69
55,16,88,100 (Previous Year 55,16,88,100) Equity shares of Rs 10/- each fully paid up.		
(Of the above, 11,25,28,100 shares were allotted as fully Paid-up pursuant to a contract without payment being received in cash)		
TOTAL	551.69	551.69
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
Balance as per last Balance Sheet.	814.26	729.21
Add : Transferred from Profit & Loss Account	84.19	85.05
Add : Transferred from Deferred Tax Liability	0.00	0.00
Add : Transferred from Foreign Project Reserve (Reserve Utilised)	0.00	0.00
	898.45	814.26
Profit & Loss Account		
Balance as per last Balance Sheet.	0.00	0.00
Add: Profit / (Loss) for the year	0.00	0.00
Less: Transfer to General Reserve	0.00	0.00
	0.00	0.00
RCF - EEC Asset Management Reserve		
Balance as per last Balance Sheet.	0.15	0.14
Additions during the year	0.01	0.01
	0.16	0.15
TOTAL	898.61	814.41



SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

	AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "C" SECURED LOANS		
A. Term Loan from Banks		
1 Rupee Loan from Banks	85.71	50.29
<p>A term loan facility of Rs.100 crore sanctioned by State Bank of Hyderabad availed by the company is secured by hypothecation with first pari passu charge on Ammonia V plant at Trombay for a value Rs.100 crore. (Amount repayable within one year C.Y. Rs. 28.57 crores P.Y.Rs.14.29 crores)</p>		
2 Foreign Currency Loan	92.22	74.84
<p>A term loan of USD 6.50 million availed by the company during 2003-2004 is secured by hypothecation of all tangible movable Machinery and Plant required for Naphtha Feed Supplement scheme (both present & future), whether installed or not and whether lying loose or in cases at site or in transit or which may at any time hereafter during the continuance of this security be installed or lying loose or in cases or being in or upon or about the borrower's premises and godown at Thal or wherever else the same may be or be held by any party anywhere to the order and disposition of the Company or in course of transit to the Company. For the term loan of USD 11.00 million availed during 2004-05, a similar charge was created on the assets (both present & future) pertaining to High Pressure Nitric Acid Plant ,Trombay. (Amount repayable within one year C.Y. Rs. 25.82 crores .P. Y. Rs.21.53 crores)</p> <p>A trade credit facility of Euro 7.846 million availed from SBI Frankfurt is secured by first pari passu charge over all the company's immovable and movable fixed assets (both present and future) pertaining to Ammonia V plant in favour of the security trustee.</p> <p>(Amount repayable within one year C.Y. Rs. 22.97 crores .P.Y. Rs.NIL)</p>		
A	177.93	125.13
B Working Capital Loans		
i) Cash Credit Account	43.03	212.11
<p>(Cash Credit Account is secured by hypothecation of entire stocks of raw materials ,finished goods, consumable stores and spares, stock in transit book debts)</p>		
B	43.03	212.11
TOTAL	220.96	337.24
SCHEDULE "D" UNSECURED LOANS		
Short Term Loans from Banks	734.27	100.00
TOTAL	734.27	100.00



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF BALANCE SHEET.

SCHEDULE "E" FIXED ASSETS

Rupees in crore

Description	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				Impairment Loss	NET BLOCK	
	AS.AT 31.3.2006	Of Additions/ Adjustments	Of Deductions/ Adjustments	AS.AT 31.3.2007	UPTO 31.3.2006	UPTO during the year	Provided sold/ discarded/ adjusted	on items 31.3.2007		AS.AT 31.3.2007	AS.AT 31.3.2006
Land (Freehold)	8.76	0.00	0.00	8.76	0.00	0.00	0.00	0.00	0.00	8.76	8.76
Land (Leasehold)	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Roads & Culverts	8.58	0.00	0.00	8.58	3.00	0.13	0.00	3.13	0.00	5.45	5.58
Buildings	151.30	0.37	0.10	151.57	80.39	4.27	0.05	84.61	0.99	65.97	69.92
Railway sidings	45.61	0.40	0.00	46.01	35.23	0.54	0.00	35.77	0.00	10.24	10.38
Plant & Machinery	2109.78	215.46	19.59	2305.65	1349.62	64.02	15.63	1398.01	26.08	881.56	734.08
Water System, Sewerage & Drainage	20.88	0.00	0.00	20.88	17.51	0.28	0.00	17.79	0.00	3.09	3.37
Miscellaneous Equipments 61.29	2.64	0.05	63.88	37.74	39.71	2.01	0.04	0.00	24.17	23.55	
Furniture, Fixtures & Office Appliances	41.70	2.59	1.23	43.06	30.65	2.03	1.03	31.65	0.00	11.41	11.05
Transport Vehicles	3.79	0.18	0.29	3.68	2.19	0.26	0.24	2.21	0.00	1.47	1.60
Assets held for disposal	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Intangible Assets											
Computer Software	4.78	1.36	0.00	6.14	0.65	1.71	0.00	2.36	0.00	3.78	4.13
TOTAL	2456.49	223.00	21.27	2658.22	1556.98	1615.24	75.25	16.99	27.07	1015.91	872.44
Previous Year Figures	2411.40	56.34	11.25	2456.49	1495.27	68.77	7.06	1556.98	27.07	872.44	

Notes :

	Year Ended March 2007	Year Ended March 2006
1. Depreciation Provided During the year	73.54	68.25
Amortisation during the year	1.71	0.52
	75.25	68.77
2. Depreciation Provided During the year as per Profit & Loss Account	75.42	68.53
Research and Development	0.01	0.01
Net adjustment relating to Prior Years	(0.18)	0.23
	75.25	68.77
3. Railway sidings have been capitalised on the basis of estimates given by the Railways or amounts paid pending receipt of completion reports.		
4. No depreciation is provided for on assets held for disposal as the same has been taken at scrap value.		
5. Land at Thal included in Gross Block (at cost) at Rs.2.33 crores is subject to final price.		
6. No depreciation is provided for on assets impaired or retired from the active use/service.		
7. Due to a blast in Prilling Section of ANP plant at Trombay in May 2006 Gross Block of Rs.2.30 crore and accumulated provision for depreciation of Rs.2.18 crore has been adjusted.		
8. Exchange variation adjusted to Plant and Machinery C.Y.Rs.0.28 crores P.Y.Rs.NIL		



SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

	AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "F" INVESTMENTS (LONG TERM, AT COST)		
Trade Investments Unquoted		
336600 fully paid equity shares (previous year 336600 shares) of Rupees 10 each of Indian Potash Ltd. (Includes 168300 shares received as Bonus Shares)	0.17	0.17
TOTAL	0.17	0.17
	Aggregate	Aggregate
	Book Value	Market Value
	31.3.2007	31.3.2007
	Rupees*	Rupees*
Quoted	—	—
Unquoted	1,683,000	—
	1,683,000	—
* Rupees in full figures		
SCHEDULE "G" INVENTORIES		
(As taken, valued and certified by Management) At Cost or Net Realisable Value whichever is lower		
Stores,spares, packing materials and Petroleum Products	239.60	223.50
Less : Provision for obsolescence/loss under investigation	8.52	9.08
	231.08	214.42
Raw Materials	39.59	81.32
Finished Goods / Bought out products	430.57	94.83
Intermediary Products	16.58	11.79
By-Products	2.43	2.14
TOTAL	720.25	404.50
Inventories includes :		
i) In transit		
Store & Spares	1.70	6.67
Raw Materials	0.00	29.55
Finished Goods	24.34	8.27
ii) Stores & Spares		
(a) Under inspection	5.90	2.75
(b) Platinum & Rhodium stolen in an earlier year and under investigation which is not susceptible for verification	0.31	0.31
(c) With fabricators	2.35	6.17



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

		AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "H" SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months :			
Secured-considered good			
Debtors	i)	3.20	4.44
Unsecured-considered good			
Debtors		14.34	21.02
Claims		168.33	74.29
	ii)	182.67	95.31
Considered doubtful			
Debtors		23.87	27.24
Claims		17.94	18.59
	iii)	41.81	45.83
Considered Bad			
Debtors		9.92	10.40
	iv)	9.92	10.40
Total	(i to iv)	237.60	155.98
Other Debts :			
Secured-considered good			
Debtors		10.49	11.86
	v)	10.49	11.86
Unsecured-considered good			
Debtors		49.16	84.63
Claims		637.02	523.54
	vi)	686.18	608.17
Considered doubtful			
Debtors		0.00	0.26
	vii)	0.00	0.26
Total	(v to vii)	696.67	620.29
Total	(i to vii)	934.27	776.27
Less:			
Provision for doubtful Debts		23.87	27.49
Provision for doubtful claims		17.94	18.59
Provision for Bad debts		9.92	10.40
		51.73	56.48
TOTAL		882.54	719.79
SCHEDULE "I" CASH AND BANK BALANCES			
Cash on hand		0.04	0.04
Cheques in hand		1.46	2.41
Remittances in transit		0.07	3.40
Balance With Scheduled Banks			
in Current & Cash Credit Accounts		228.95	60.59
in Term Deposits		0.02	0.13
TOTAL		230.54	66.57



SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

	AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "J" LOANS AND ADVANCES		
A. LOANS		
Secured-Considered good		
Employees **	27.23	32.02
Others-Materials given on loan	0.00	0.24
(** Includes accrued interest C.Y.Rs.17.84 crore ,P.Y.Rs18.99 crore.)	27.23	32.26
Unsecured-Considered good		
Employees	0.27	0.67
	0.27	0.67
Unsecured - Considered bad		
Opening Balance	41.37	41.37
Less: Received during the year	0.00	0.00
Less: Provision written off	-	-
	41.37	41.37
Less : Provision for bad loans	41.37	41.37
	0.00	0.00
Total A	27.50	32.93
B. ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED. :		
Unsecured-Considered good		
Contractors /Suppliers	31.13	124.47
Employees	0.26	0.37
Sales Tax Refund	58.05	80.23
Others (Refer Note no. 1.8 of Schedule XVI to Accounts)	33.66	30.65
	123.10	235.72
Considered doubtful	2.38	2.36
Less : Provision for doubtful advances	2.38	2.36
	0.00	0.00
Total B	123.10	235.72
C. Advance Income Tax	63.39	78.60
D. Interest accrued on Loans/Advances	0.19	0.21
E. Deposits with Customs, Port Trust etc.	2.79	2.83
F. Prepaid Expenses	12.23	7.29
TOTAL	229.20	357.58
	AS AT	AS AT
	31.3.2007	31.3.2006
	(Rupees)	(Rupees)
Loans includes Loans and Advances(Secured C.Y.Rs.78323 ,P.Y.Rs.14720) due from Directors / Officers of the company or any of them severally or jointly with any other person		
Directors	452304	44613
Officers	0	0
Maximum amount due from Directors / Officers of the company at any time during the year		
Directors	1103566	757986
Officers	0	0



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF BALANCE SHEET

Rupees in crore

	AS AT 31.3.2007	AS AT 31.3.2006
SCHEDULE "K" CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors on Capital Account		
Small Scale Undertakings	-	-
Others	14.63	59.25
Sundry Creditors on Other Account *		
Small Scale Undertakings (P.Y. Rs.55230)	0.55	0.00
Others	233.62	266.36
Trade Deposits, advances against sale orders and others	46.97	46.10
Security and earnest money deposits received from contractors and others	27.97	29.20
Unclaimed Dividend	0.32	0.31
Interest accrued but not due on loans	4.40	1.56
Subsidy on unsold stock	62.75	17.86
Subsidy Payable	9.32	8.35
Other Liabilities	20.63	60.06
	421.16	489.05
B. PROVISIONS		
Leave salary encashment	56.62	50.78
Post retirement medical benefits	1.51	1.31
Current Tax	68.00	75.30
Others	14.93	4.84
Fringe Benefit Tax	1.70	1.70
Proposed Dividend (Including tax on dividend) (C.Y Rs.9.38 crore, P.Y. Rs.7.74 crore)	64.55	62.91
	207.31	196.84
TOTAL	628.47	685.89

* Includes C Y. Rs.NIL due for more than 30 days (P.Y. Rs.NIL)

SCHEDULE "L" MISCELLANEOUS EXPENDITURE

(To the extent not written off)

Voluntary Retirement Scheme

Balance as per last Balance Sheet	4.60	9.62
Add: Expenses for the year	1.01	1.06
Less: Charged to Profit & Loss Account (Schedule VII)	2.61	6.08
TOTAL	3.00	4.60



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "I" SALES		
1. Manufactured Products		
A. Fertilizers	1183.18	1261.32
B. Industrial Products	561.64	420.54
2. Bought-out Products		
A. Fertilizers	155.27	113.28
TOTAL	1900.09	1795.14

Rupees in crore

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "I - A"				
SALES - PRODUCT WISE BREAK-UP				
1 Manufactured	QUANTITY (M.T)	VALUE	QUANTITY (M.T)	VALUE
A. Fertilizers				
Urea	1,775,706	825.22	1,723,953	801.52
Suphala 15 : 15 : 15	458,851	311.29	431,022	292.69
Suphala 20 : 20 : 0 (Ammonium Nitrate Phosphate)	54,105	38.25	227,030	161.55
Others	-	8.42	-	5.56
	2,288,662	1183.18	2,382,005	1261.32
B. Industrial Products				
Methanol	34,052	89.06	32,800	62.15
Ammonia	75,400	128.89	35,987	59.54
Dilute Nitric Acid	23,170	23.54	21,766	12.55
Concentrated Sulphuric Acid	-	0.00	168	0.06
Concentrated Nitric Acid	15,658	16.84	21,041	22.50
Dilute Sulphuric Acid (C.Y.Rs.43177)	186	0.00	-	0.00
Technical Grade Urea	25,061	40.90	33,789	48.04
Ammonium Bi-carbonate	20,579	17.77	19,946	16.24
Sodium Nitrate	1,436	2.71	1,257	2.36
Sodium Nitrite	3,271	7.93	3,021	7.32
Methylamines	13,478	78.17	6,312	54.86
Ammonium Nitrate Melt	82,452	88.17	76,554	81.87
Dimethyl Formamide	4,758	28.77	3,685	17.12
Dimethyl Acetamide	1,658	11.94	1,275	8.68
Argon Gas / Liquid	2,170	4.80	1,858	5.85
Carbon dioxide	11,259	1.05	10,047	0.95
Formic Acid	5,327	18.32	4,952	15.24
Others	-	2.78	-	5.21
		561.64		420.54



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "I - A" (Contd.)	QUANTITY (M.T)	VALUE	QUANTITY (M.T)	VALUE
2. Bought-out Products				
A Fertilizers				
Imported Di Ammonium Phosphate	51,458	49.60	9,221	8.34
Imported Muriate of Potash	116,556	49.59	207,065	88.69
Imported Urea (P.Y. Rs.17124.75)	67,965	31.57	6	0.00
Single Super Phosphate (Granulated)	-	3.52	-	0.00
Ammonium Sulphate	27,296	14.24	19,319	12.44
Di Ammonium Phosphate	4,531	1.24	-	0.00
Others	-	5.51	-	3.81
		<u>155.27</u>		<u>113.28</u>
B. Industrial Products				
TOTAL		<u><u>1,900.09</u></u>		<u><u>1,795.14</u></u>
			Year Ended March 2007	Year Ended March 2006
SCHEDULE "II" SUBSIDY ON UREA AND COMPLEX FERTILIZERS				
On Urea			<u>1366.50</u>	<u>970.54</u>
			<u>1366.50</u>	<u>970.54</u>
On Complex Fertilizers / Bought out Products			<u>293.03</u>	<u>336.41</u>
TOTAL			<u><u>1659.53</u></u>	<u><u>1306.95</u></u>
SCHEDULE "III" INTEREST INCOME (GROSS)				
On House Building /Conveyance Loans			<u>0.49</u>	<u>0.82</u>
On Other loans and deposits (Tax deducted at source C.Y. Rs.0.06 crore; P.Y. Rs. 0.08 crore.)			<u>0.08</u>	<u>0.27</u>
From Customers			<u>0.72</u>	<u>0.89</u>
On Income Tax			<u>0.55</u>	<u>0.58</u>
From Others (C.Y. Rs.43070)			<u>0.00</u>	<u>13.64</u>
TOTAL			<u><u>1.84</u></u>	<u><u>16.20</u></u>
SCHEDULE "IV" OTHER INCOME				
Rent, electricity, water & maintenance charges (Tax deducted at source C.Y. Rs1.47 crore; P.Y Rs. 2.81 crore)			<u>14.24</u>	<u>13.65</u>
For services rendered (Tax deducted at source C.Y. Rs.0.56 crore; P.Y. Rs. 0.25 crore)			<u>9.84</u>	<u>9.63</u>
Rental from Ammonia Tank Wagons (Tax deducted at source C.Y.Rs.0.08 crore , P.Y.Rs.NIL)			<u>0.46</u>	<u>0.00</u>
Lease rent for railway wagons			<u>11.29</u>	<u>11.29</u>
Liabilities/Provisions of earlier years no longer required			<u>7.60</u>	<u>4.41</u>
Sale of scrap			<u>8.51</u>	<u>4.18</u>
Dividend from trade investment			<u>0.05</u>	<u>0.04</u>
Profit on sale of fixed assets			<u>1.49</u>	<u>0.01</u>
Miscellaneous Income (Tax deducted at source C.Y.NIL P.Y. Rs.0.16 crore)			<u>11.12</u>	<u>31.91</u>
Gain on exchange rate fluctuation			<u>15.36</u>	<u>4.75</u>
Bad debts recovered			<u>0.48</u>	<u>4.09</u>
Provision for Doubtful debts reversed on recovery			<u>4.54</u>	<u>1.75</u>
TOTAL			<u><u>84.98</u></u>	<u><u>85.71</u></u>



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "V"	QUANTITY (M.T)	VALUE	QUANTITY (M.T)	VALUE
PURCHASE OF FINISHED PRODUCTS/ BOUGHT OUT PRODUCTS				
Imported Urea	69,408	32.26	-	0.00
Imported Di Ammonium Phosphate	123,779	184.67	-	0.00
Muriate of Potash	229,994	233.80	208,174	218.94
Indegenous Di Ammonium Phosphate	4,531	3.97	-	0.00
Single Super Phosphate (Granulated)	3,432	1.17	-	0.00
Ammonium Sulphate	17,620	12.23	-	0.00
Others	-	10.78	-	0.00
TOTAL		478.88		218.94

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "V - A"	QUANTITY (M.T)	VALUE	QUANTITY (M.T)	VALUE
ITEMWISE BREAKUP OF MATERIALS CONSUMED				
RAW MATERIALS				
Rock Phosphate	209,317	96.52	255,927	102.00
Di-Ammonium Phosphate	32,898	41.28	5,967	9.13
Mono-Ammonium Phosphate	9,180	14.31	56,525	84.58
Muriate of Potash	116,645	123.68	107,793	110.42
Sulphur	26,047	10.87	29,052	13.63
Soda Ash	3,892	5.18	3,792	4.32
Imported / Bought out Ammonia	2,752	3.16	-	0.00
Sulphuric Acid	-	0.31	-	0.00
Associated Gas (Quantity in '000 M3) *	593,404	189.40	555,238	171.17
Naptha	-	658.06	220,186	509.12
Others	-	11.28	-	9.38
TOTAL		1154.05		1013.75
Less : Transferred to Expenditure During Construction period pending Allocation , capital expenses and others		(4.98)		0.00
		1149.07		1013.75

* Consumption is net of transfer to CWIP / Asset capitalised
Associated Gas (C.Y. Qty 5778.600 Rs.1.85 crore ,P.Y.NIL)

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "VI" MATERIALS CONSUMED		
Raw Materials *	1149.07	1013.75
Packing Materials	69.56	62.84
Stores , Spares and Fuels.	38.61	27.48
TOTAL	1257.24	1104.07

* Consumption is net of transfer to CWIP / Asset capitalised



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "VII" SALARIES,WAGES, BONUS AND BENEFITS TO EMPLOYEES		
Salaries,Wages and Bonus	151.27	126.25
Contribution to Provident Fund and other funds	11.37	9.65
Contribution to Gratuity Fund	7.33	5.96
Workmen and Staff Welfare Expenses	15.62	19.67
Voluntary Retirement Scheme	2.61	6.08
	<u>188.20</u>	<u>167.61</u>
Less : Salaries,Wages, Bonus and contribution to Provident Fund & Other funds Included in :		
Research and Development (Schedule XII)	0.80	0.98
Recovered from Heavy Water Board	8.15	7.06
	<u>8.95</u>	<u>8.04</u>
TOTAL	<u><u>179.25</u></u>	<u><u>159.57</u></u>
SCHEDULE "VIII" REPAIRS AND MAINTENANCE		
Machinery	46.34	42.63
Buildings	8.33	10.73
Other Assets	8.49	7.59
TOTAL	<u><u>63.16</u></u>	<u><u>60.95</u></u>
SCHEDULE "IX" OTHER EXPENSES		
Rent	6.15	8.49
Rates and Taxes.	4.60	3.69
Insurance	4.64	7.08
Water Charges (Net of transfer to CWIP / Asset capitalised) (C.Y.Rs.0.06 crore ,P.Y.Rs. NIL)	50.60	10.93
Miscellaneous Expenses	47.30	43.79
Entertainment Expenses	0.04	0.07
Commission and Rebate on sales	39.19	37.00
Lease Rent for railway wagons	11.92	11.62
Loss on Fixed Assets Sold / Discarded	0.51	3.03
Contingency Expenses	0.00	0.92
Losses and write off	0.32	2.24
Exchange Rate Variation	8.96	2.84
TOTAL	<u><u>174.23</u></u>	<u><u>131.70</u></u>
SCHEDULE "X" INTEREST (EXPENDITURE)		
On Fixed Loans:		
Banks	12.27	4.10
	<u>12.27</u>	<u>4.10</u>
On Other Loans :		
Cash Credit / Overdraft from Banks	37.87	10.69
Others	2.06	2.38
	<u>39.93</u>	<u>13.07</u>
Less : Transferred to Expenditure During Construction period pending Allocation , capital expenses and others	3.43	0.17
TOTAL	<u><u>48.77</u></u>	<u><u>17.00</u></u>



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "XI" (ACCRETION) / DECRETION TO STOCK		
Opening Stock		
Finished Goods	94.83	124.22
Intermediary Products	11.79	16.04
By-Products	2.14	1.44
TOTAL	108.76	141.70
Closing stock		
Finished Goods	430.57	94.83
Intermediary Products	16.58	11.79
By-Products	2.43	2.14
TOTAL	449.58	108.76
Stock (Accretion) / Decretion	(340.82)	32.94

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "XI - A"				
QUANTITY (M.T) VALUE QUANTITY (M.T) VALUE				
OPENING STOCK - PRODUCT WISE BREAK-UP				
Finished Goods				
1. Manufactured				
A. Fertilizers				
Urea (Trombay)	-	0.00	-	0.00
Urea (Thal)	31,599	29.16	71,619	59.07
Complex Fertilizers	50,960	45.68	56,413	44.22
Others	-	3.26	-	0.00
B. Industrial Products				
Methanol	1,955	1.94	607	0.59
Concentrated Nitric Acid	33	0.02	104	0.07
Ammonium Bi-carbonate	185	0.11	122	0.06
Sodium Nitrate	222	0.50	37	0.07
Methylamines	204	0.69	128	0.40
Dimethyl Formamide	9	0.04	165	0.73
Dimethyl Acetamide	145	0.93	40	0.43
Formic Acid	61	0.16	225	0.64
Others	-	0.52	-	1.46
		83.01		107.74
2. Bought-out Products				
Fertilizers				
Imported Di Ammonium Phosphate (P..Y.Rs.5047.77)	3,429	4.84	1	0.00
Imported Muriate of Potash	7,161	6.98	18,281	16.48
Imported Urea (P.Y.Rs.11997)	-	0.00	6	0.00
Others (P.Y.Rs.9528)	-	0.00	10	0.00
		11.82		16.48
TOTAL		94.83		124.22



Rashtriya Chemicals and Fertilizers Limited

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2007	Year Ended March 2006	Year Ended March 2006
SCHEDULE "XI - B"	QUANTITY (M.T)	VALUE	QUANTITY (M.T)	VALUE
CLOSING STOCK - PRODUCT WISE BREAK-UP				
Finished Goods				
1. Manufactured				
A. Fertilizers				
Urea (Thal)	108,427	119.84	31,599	29.16
Complex Fertilizers	58,133	57.73	50,960	45.68
Others	-	3.49	-	3.26
B. Industrial Products				
Methanol	2,118	1.91	1,955	1.94
Concentrated Nitric Acid	32	0.02	33	0.02
Ammonium Bi-carbonate	42	0.02	185	0.11
Sodium Nitrate	20	0.04	222	0.50
Sodium Nitrite	7	0.02	-	0.00
Methylamines	178	0.66	204	0.69
Ammonium Nitrate Melt	112	0.14	-	0.00
Dimethyl Formamide	263	1.26	9	0.04
Dimethyl Acetamide	71	0.41	145	0.93
Formic Acid	138	0.44	61	0.16
Others	-	0.53	-	0.52
		186.51		83.01
2. Bought-out Products				
Fertilizers				
Imported Di Ammonium Phosphate	81,826	119.41	3,429	4.84
Imported Muriate of Potash	120,447	123.84	7,161	6.98
Imported Urea	1,435	0.81	-	0.00
		244.06		11.82
TOTAL		430.57		94.83

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "XII" RESEARCH AND DEVELOPMENT		
Salaries, Wages and Staff Welfare Expenses	0.80	0.98
Other Expenses	0.02	0.17
Depreciation	0.01	0.01
TOTAL	0.83	1.16



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

Rupees in crore

	Year Ended March 2007	Year Ended March 2006
SCHEDULE "XIII" TRANSFER CREDITS		
Utilities, Synthesis gas and share of other common expenses transferred to Heavy Water Project	7.09	7.64
TOTAL	7.09	7.64
SCHEDULE. "XIV" ADJUSTMENTS RELATING TO PRIOR YEARS (NET)		
Debits (-) / Credits		
Interest	0.02	(0.05)
Materials Consumed	1.14	1.17
Salaries and Wages	0.54	0.00
Repairs and Maintenance	(0.93)	(0.17)
Depreciation	0.18	(0.23)
Others	(1.02)	(0.11)
TOTAL	(0.07)	0.61



Rashtriya Chemicals and Fertilizers Limited

Schedule "XV"

Statement of Significant Accounting Policies forming part of Accounts for the year ended 31st March 2007.

1. Basis of Preparation of Financial Statements:

1.1 Accounting Convention:

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the provisions of the Companies Act, 1956 and in accordance with accounting principles generally accepted in India ('Indian GAAP') and comply with the accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') to the extent applicable and to the extent they are not in variance with Companies Act, 1956.

1.2 Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Any revisions to accounting estimates are recognized prospectively when revised, in current and future periods.

2. Fixed Assets

2.1 Fixed assets comprise of tangible assets and intangible assets, and are stated at Written Down Value, i.e., historical cost (net of CENVAT and VAT) less accumulated depreciation/amortization and impairment loss except in case of assets held for disposal, where cost is replaced by the lower of Written Down Value or estimated realizable value.

2.2 The Government/Institutional grants of capital nature are adjusted to the gross block of relevant Fixed Assets.

2.3 Depreciation/Amortization

2.3.1 Depreciation on Fixed Assets other than on intangible assets is provided for under Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions/deductions to Gross Block is calculated on pro-rata basis from the date of such additions/& upto the date of such

deductions. No depreciation is provided on assets held for disposal/retired from active use.

2.3.2 Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, pro-rata from the date the asset is available to the company of its use. Management estimates the useful life of software applications identified as intangible assets as three years. Any expenses incurred on intangible assets upto Rs. 1 lakh in each case are being charged off in the year of incurrence.

2.4 Impairment of Assets :

The carrying amounts of assets are reviewed at each balance sheet date for identifying an impairment based on internal/external factors. Loss on impairment is provided to the extent the carrying amount of assets exceeds its recoverable amount. Recoverable amount is the higher of an assets net selling price or its value in use. A previously recognized loss on impairment is increased or reversed depending on the change in the circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

3. Expenditure During Construction (EDC)

All pre-operative costs (net of income) incidental to new projects undertaken are accumulated as EDC and apportioned appropriately among the various plants/facilities during the year of capitalization.

4. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/attribution to the acquisition/ construction of qualifying fixed assets are accumulated and capitalized upto the date when such assets are ready for their intended use and other borrowing costs are charged to Profit and Loss Account.

Exchange variation on foreign currency borrowing to the extent they are considered as borrowing cost are also treated in a similar way.

5. Foreign Currency Transactions

5.1 Transactions in Foreign currency are recorded



in the reporting currency by applying the currency rate as at the date of transaction.

- 5.2 Receivables and Payables involving foreign currency are translated at the rates of exchange prevalent on the Balance Sheet date.
- 5.3 Exchange difference on contractual liabilities incurred for all fixed assets acquired prior to 1.4.2004 or for fixed assets acquired from outside India after 1.4.2004 are adjusted in the carrying cost of such fixed assets.
- 5.4 In respect of transactions covered by forward exchange contracts the difference between the contract rate and the spot rate on the date of the contract is recognized in the Profit & Loss Account over the period of the contract or adjusted to the cost of the fixed asset in case of liabilities incurred for acquiring such assets, if such cases are covered under 5.3 above.
- 5.5 All other exchange differences (gains or losses) are treated as revenue and are recognized in the Profit and Loss Account.

6. Investments

Long Term investments are stated at cost and provision is made for any diminution in such value, which is not temporary in nature.

7. Inventories

7.1 Assessment of Inventory

- 7.1.1 Raw materials, Intermediary products, By-Products and Finished Products inside factory premises are assessed by survey method on a date as close as possible to the Balance Sheet date and the shortages /excesses in the quantities as compared to book stocks are adjusted in the books. Finished goods and other inventory stored outside the factory premises are taken as per warehousing certificates and third party confirmation respectively.
- 7.1.2 In case of Urea, which is produced from the two plants of the company viz. Trombay and Thal, plant wise identity cannot be maintained beyond the point of despatch. Hence, the sales from the godowns and the closing stocks are prorated on the basis of plantwise opening stocks for the year at godowns plus despatches to godowns during the year.

Whenever the production of urea in any one of the two units is not significant with respect to the capacity, the entire despatch including

opening stock (if any) of that unit is treated as sold in the respective year.

7.2 Mode of valuation

- 7.2.1 Inventories are valued at lower of cost and estimated net realizable value except in case of by-products, which are valued at, estimated net realizable value. Stocks in process at the close of the year are not valued as the same is not practicable.

7.2.2 Basis of Cost :

- The cost of manufactured finished goods, bought out products and intermediary products is arrived at on the basis of weighted average cost.. Bifurcation of cost of joint products is made on technical estimates.
- Cost of raw materials, petroleum products, packing materials, stores and spares, and loose tools is determined on weighted average cost basis.

- 7.2.3 Used loose tools are treated as consumed and hence not valued.

- 7.2.4 Project surplus stores and spares of old plants not in use are brought in the books at nominal estimated value/technical estimate or carried in memorandum records.

- 7.2.5 Provision is made in respect of raw materials, packing materials, stores and spares and petroleum products, wherever appropriate, based on technical estimates, to reflect the impact of obsolescence, damage or other diminution in value.

7.3 Measurement of Cost / Realisable Value

7.3.1 Cost of Purchases.

Cost of purchase includes duties, taxes (net of those recoverable) freight and other expenses net of trade discounts, rebates and price adjustments.

7.3.2 Cost of Manufactured goods

Cost of manufactured goods comprises of direct cost (including cost of catalyst replaced during the year) variable production overheads and fixed production overheads on absorption costing method. Variable production overheads are allocated based on actual production. Variable overheads related to movement of finished products are allocated based on actual dispatches. Fixed overheads are allocated



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based on higher of the actual production level or normal production level. Average freight incurred is included in valuing stocks in field warehouses and in transit.

7.3.3 Net Realizable Value

The Government of India in terms of which the selling price is fixed for the buyer and the Government pays subsidy administers Price of Urea. The net realizable value for manufactured urea is taken at retention price (selling price net of dealers' margin plus subsidy) net of variable selling and distribution cost (marketing cost). Net realizable value of off-spec urea is taken at 40% of MRP excluding subsidy.

The net realizable value of complex fertilizers is taken at statewise year end selling price net of dealers' margin and variable selling and distribution cost (marketing cost) plus the adhoc concession. Net realizable value of off-spec complex fertilizers is taken at selling price net of dealers' margin and estimated cost of re-processing including transportation cost to factory.

The net realizable value of off spec bought out/imported urea is taken at 40% of MRP and at 30% of MRP in case of other bought out Fertilizers.

The net realizable value of non-fertilizer products is taken at the year-end lowest selling prices net of variable selling and distribution cost (marketing cost).

Average freight incurred on despatches from silo/factory to godown is reduced for arriving at the net realizable value in respect of stocks of fertilizers in silo/factory.

8. Taxation

Provision for Current Income Tax is made in accordance with the Income Tax Act 1961.

Deferred Tax resulting from "timing difference" between book profit and taxable profit for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a certainty that the assets will be adjusted in future.

9. Retirement Benefits to Employees

9.1.1 Company's contribution to Provident Fund is accounted for on accrual basis.

9.1.2 Contribution to Gratuity Fund and Provision for Leave Encashment on retirement are made

based on actuarial valuation carried out as on the date of Balance Sheet. Provision for post retirement medical Benefits are made on estimated basis .

10. Voluntary Retirement Expenses

Voluntary retirement expenses are treated as Deferred Revenue Expenditure and are amortized equally over a period of five years.

11. Researches and Development Expenditure

Revenue Expenditure on Research and Development activity is recognized separately and charged to Profit and Loss Account.

12. Revenue Recognition

12.1.1 Gross Sales (net of returns) include excise duty, wherever applicable.

12.1.2 Under the Retention Price Scheme/ New Pricing Scheme for Urea the subsidy is being paid by the Fertilizers Industry Coordination Committee (FICC) at the point of despatch of Urea. However, credit for subsidy in the Accounts is taken for sales quantity only.

12.1.3 Credit for subsidy is generally taken on the basis of in principle recognition /approval/settlement of claims from Government of India / FICC.

12.1.4 Interest Income is recognized when no significant uncertainty as to its realization exists.

12.1.5 Scrap, salvaged/waste materials and sweepings are accounted for on realization.

12.1.6 Insurance and other miscellaneous claims are recognized on receipt/acceptance of claim

12.1.7 Debits/Credits Relating to Prior period

Income and expenditure pertaining to earlier period and upto Rs.1,00,000/- in each case, are not being classified as relating to "prior period".

12.1.8 Prepaid Expenses

Individual expense upto Rs. 25,000 is not considered in classifying prepaid expenses.

13. Contingent Liabilities

Claims against the Company not acknowledged as debts relating to normal business transactions and show cause notices and demands disputed by the Company are treated as Contingent Liabilities. Provision in respect of contingent liabilities if any, is made when it is probable that a liability may be incurred and the amount can be reasonably estimated.



Schedule XVI

Notes forming part of Accounts for the year ended 31st March 2007.**1. CONTINGENT LIABILITIES NOT PROVIDED FOR :**

- 1.1 Claims against the Company not acknowledged as debts to the extent ascertainable (excluding interest) aggregates to Rs.98.75 crore (Previous year Rs.97.47 crore). Of this, claims before arbitrators /courts, are Rs.86.37 crore (Previous year Rs.67.97 crore).
- 1.2 Guarantees issued by Bank in favour of Excise authorities, Customs authorities etc. aggregates to Rs 42.19 crore (Previous year Rs.5.91 crore). This is secured by extension of charge over inventories and book debts.
- 1.3 Indemnity Bond given by the Company of Rs.5.35 crore (Previous year Rs.5.13 crore) in favour of Railway Authorities in lieu of advance payment towards freight.
- 1.4 Show cause notices issued by Excise Authorities aggregates to Rs.1.39 crore (Previous year Rs.1.64 crore).
- 1.5 Demands raised by Income Tax, Excise (other than as mentioned in para 1.7) and other authorities, disputed by the company aggregates to Rs. 54.41 crore (Previous year Rs. 35.43 crore).
- 1.6 The amount of claims in respect of legal cases filed against the Company for labour matters and not acknowledged as debts is not ascertainable.
- 1.7 In case of use of Naphtha purchased by the Company at concessional rates of excise duty for the purpose other than mentioned in the exemption notification for the period from November 1996 to February 2005, the Commissioner of Excise (Adj) has passed an order for payment of excise duty of Rs.9.66 crore and penalty of Rs.9.66 crore plus interest at appropriate rate. The Company has been advised by the Company's Solicitors & Advocates that the demand is not sustainable and the company is in the process of filing appeal before higher authority, hence no provision is considered necessary.

For the period from March 2005 to October 2005, show cause notice is served for Rs. 1.77 crore for the same reason. However, hearing is yet to take place in CESTAT.

For the period from November 2005 to May 2006, show cause notice is served for Rs. 7.52 crore

for the same reason. However, hearing is yet to take place.

- 1.8 The Municipal Corporation of Greater Mumbai (BMC) had raised a demand of Rs.33.48 crore against the Company on account of sewerage charges w.e.f. 5.4.1987 which has been disputed by the Company in a writ petition filed in the Bombay High Court. The Honorable High Court vide its interim order dated 10-11-1992 granted a stay on the recovery of the demand for the period upto the date of the order and directed the Company to pay sewerage charges thereafter (w.e.f. 10-11-1992). Accordingly, the Company has been paying sewerage charges from 10.11.1992 under protest and the same has been debited to Profit and Loss Account of the Company for the respective years.

The writ petition has since been disposed off by the High Court on grounds of disputed facts and the matter is resting in Supreme Court, with stay granted to continue.

Company, in 1996-97 entered into an agreement with BMC for obtaining raw sewerage from the Ghatkopar Pumping Station of BMC and as a part of this agreement, the Company has paid an interest free deposit of Rs. 16 crore to BMC (included in Schedule J) representing approximately 50% of the disputed liability. This deposit is adjustable against the disputed demand of Rs.33.48 crore in the event that the Honorable High Court decides the case in favour of BMC.

No provision is considered necessary for the disputed demand of Rs.33.48 crore as the claim of BMC is not tenable.

- 1.9 Company had entered into a lump sum turn-key contract with M/s. Uhde India Ltd. ("UIL") for revamp of its Old Nitric Acid plant at Trombay unit. Earlier during 2004-05, Commissioner of Customs (Imports) Mumbai had allowed clearance of the Air Compressor package consignment under provisional assessment after payment of applicable custom duties and a revenue deposit of Rs.5.75 crore. The Company filed a writ petition against the demand in Bombay High Court and Hon. Bombay High Court ordered for refunding the Deposit of Rs. 5.75 crore on furnishing of Bank Guarantee (BG) of equivalent amount and another BG of Rs. 23 crore towards demand. Accordingly



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the Company has furnished BGs and also has got back the refund of deposit.

The Commissioner of Customs passed an Order for payment of Custom Duty and penalty aggregating to Rs. 25.66 crore against the above matter. Out of this Rs 9.33 crore has been paid by the Company against provisional assessment of which Cenvat credit of Rs 4.49 crore has been availed.

The Order has been challenged before CESTAT/High Court and the matter is pending. Company has been advised by their Solicitors and Advocates that the demand is not sustainable and no provision is considered necessary.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for aggregates to Rs.79.92 crore (Previous year Rs.227.56 crore) net of advances.
3. Company has taken 416 nos BCNA Railway Wagons (Previous year 416 nos) on lease from State Bank of India and SBI Capital Markets Limited and the future liability for lease rent on these wagons aggregates to Rs.23.36 crore (Previous year Rs.35.28 crore)

Further, under the "Own Your Wagons Scheme" of Indian Railways, these wagons have been sub-leased to Indian Railways for which agreement is under finalization. The estimated future revenue on this account is Rs.22.36 crore (Previous year Rs. 33.66 crore).

4. Formalities relating to transfer of certain immovable and other properties from Fertilizers Corporation of India Limited to the Company on reorganization of the former in 1978 are not yet completed. Part of property cards have been transferred in the name of the Company and transfer of balance property cards is in process.
5. The capitalization at Thal unit has been made subject to Arbitration awards/Court decisions in respect of claims preferred by the local authority/contractors/suppliers including those against liquidated damages levied by the Company and final determination of customs duty on finalization of the relevant contracts for machinery and equipments imported for the project.
6. Inventory includes stores and spares costing Rs. 11.75 crore (previous year Rs 12.92 crore) declared as surplus. The amount includes stores/spares valued at Rs. 8.74 crore (Previous year Rs.9.33 crore) identified as disposable surplus and which on disposal may not fetch full book value and accordingly, provision of Rs.8.30 crore (previous year Rs.8.87 crore) has been made on account of estimated loss on disposal thereof.
7. (a) Company had implemented SAP ERP system, w.e.f. 1.10.2005 and the same is under

stabilization process. In the course of stabilization process of SAP ERP system, several rectification entries have emerged and the same have been passed during the year.

- (b) Balances of Sundry Debtors, Sundry Creditors, Loans & Advances and other debit/credit balances are analyzed but subject to confirmation and adjustments necessary upon reconciliation thereof. Pending adjustments on confirmation/reconciliation, if any, the balances are taken at recorded amounts and the amounts recoverable are shown as good.
8. (a) FICC has not notified price concession of Urea since January 2005, the effect of which will be accounted for after receipt of such notification.
 - (b) Subsidy on urea includes price concession of Rs.925.32 crore (previous year Rs.892.33 crore) and freight subsidy amounting to Rs.119.06 crore (previous year Rs.115.45 crore).
 - (c) Claims by way of additional subsidy preferred/to be preferred by the Company or refunds to be made on account of escalation/de-escalation in the inputs and other costs are accounted for based on the estimates made by the Company in accordance with the in principle recognition/settlement of previous claims by FICC. Necessary adjustments, if any, are made in accounts on final settlement of such claims.
- During the year credit has been taken in respect of subsidy amounting to Rs.322.13 crore (previous year Rs. 37.23 crore debit) towards estimated amounts to be received from FICC on account of price and freight subsidy including Rs 33.23 crore in respect of earlier period (Previous Year nil).
- Subsidy on Complex Fertilizers includes an amount of Rs.3.76 crore in respect of concessions on complex fertilizers yet to be notified for the quarters July-Sept. 2006 to Jan-March 2007 which is accounted on estimated basis. (Previous year Rs.24.27 crore).
9. (a) Wherever information has been received from the suppliers of their being Small Scale Industrial Unit, amounts due to them are generally being paid in time. Hence, no liability exists in respect of interest payable to suppliers under the interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993.
 - (b) As per the provisions of "The Micro Small & Medium Enterprises Development Act, 2006 "the principal amount payable to micro small & medium



enterprises is Rs.0.55 crore. This information has been determined to the extent such parties have been identified, on the basis of information available with the company. This has been relied upon by the auditors.

10. Company is implementing a Technology Demonstration Prototype Industrial Scale (TDP) project during the year on behalf of and fully funded by Government of India at Trombay and therefore the assets and liabilities related to the project are not recognized in the companies accounts.
11. Company has recognized its factory at Trombay, factory at Thal and Marketing, as geographical segments (primary segments) and its activities of manufacture and sale of fertilizers, and manufacture and sale of industrial products as business segments (secondary segments) in accordance with Accounting Standard –17 on Segment reporting issued by the Institute of Chartered Accountants of India. The segment wise revenue, expenses and capital employed are enclosed in **Annex I**.
12. Company is under the administrative control of Ministry of Chemicals & Fertilizers, Government of India and is within the meaning of state controlled enterprise of para 9 of Accounting Standard – 18. During the year, the Company has identified the following key management personnel for the purpose of disclosure as per Accounting Standard-18.

Key Management Personnel

- (a) Whole time directors :
 - (i) Shri. U.S. Jha, Chairman & Managing Director
 - (ii) Shri. M. Sundararaman, Director (Finance)
 - (iii) Shri. H.S. Karangle, Director (Technical)
 - (iv) Shri J. Kohareswaran, Director (Marketing) w.e.f. 28/09/2006
- (b) Details relating to parties referred to in (a) above.
 - (i) Remuneration :

Rs.Crore

Particulars	2006-07	2005-06
Salaries and Allowances	0.27	0.23
Leave Encashment	0.01	0.09
Provident Fund Contribution	0.03	0.03
Total	0.31	0.35

Excluding contributions to the Gratuity Fund since the same are on actuarial valuation for the group of employees, medical expenses are covered under Group Medclaim Policy taken by the company for all the employees and their eligible dependents.

- (ii) Loans and advances receivable: Refer Schedule- J.

13. Disclosure as per Accounting Standard 29 on “Provisions, Contingent Liabilities and Contingent Assets” as on 31st March 2007 :

Rs.Crore

Particulars	Balance as on 31.3.2006	Addition	Utilization	Reversal	Balance as on 31.3.2007
Disputes and Claims, Legal Matters (Refer Note 1)	4.84	0	3.00	1.31	0.53
Provisions against contractual liabilities (Refer Note 2)	0	14.40	0	0	14.40

Note 1. Company has created a contingency provision of Rs. nil crore (previous year Rs.2.37 crore) for various contingencies resulting mainly from issues, which are under litigation/dispute and other items requiring management judgement and discretion.

Disputes, Claims and Others represents estimates made mainly for probable claims arising out of litigations / disputes pending with authorities / creditors. Deferred Tax Benefit of Rs.0.18 crore (Previous year Rs 0.31 crore) has been recognized on above.

Note 2. Company has made provision on estimated basis in respect of certain liabilities expected out of renewal of contract post their expiry during the year. This provision has been made based on past practice followed by the company.

14. Earning Per Share

Basic earning per share has been reported as per Accounting Standard-20 relating to “Earning per share” which has been computed by dividing net profit after tax by the weighted average number of shares outstanding for the period as under.

	31.3.2007	31.3.2006
Net profit for the year attributable to equity shareholders (Rs. Crore)	148.74	147.96
No. of shares	55,16,88,100	55,16,88,100
Earning per share (Rupees)	2.70	2.68

There are no potential equity shares as on 31.3.2007 and accordingly the diluted Earning per Share is the same as Basic Earning per Share.

15. Disclosure of Deferred Tax Liability as per Accounting Standard 22 of The Institute of Chartered Accountants of India. :



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Rs crore

Particulars	Opening Balance 1.4.2006	Adjustment during FY2006-'07	Closing balance 31.3.2007
A) Deferred Tax Liability			
Difference between SLM & WDV	193.35	23.56	216.91
Total (A)	193.35	23.56	216.91
B) Deferred Tax Asset			
Provision for doubtful debts/claims	16.31	1.90	18.21
Provision for Bad debts/claims	3.50	-3.32	0.18
Provision for Obsolescence of Stores	3.06	-0.16	2.90
Provision for Leave Encashment	17.09	2.16	19.25
Provision for Impairment of assets	9.11	0.09	9.20
Others	0.31	-0.13	0.18
Total (B)	49.38	0.54	49.92
Net Deferred Tax (Asset)/ Liability	143.97	23.02	166.99

16. As regards the Accounting Standard 25 "Interim financial reporting" the Company is neither required by any statute nor has elected to prepare and present an interim financial report.
17. Company is contemplating a joint venture with M/s Rajasthan State Minerals and Mines Ltd (RSMML) for the manufacture of Di-Ammonium Phosphate near Udaipur in Rajasthan. An application is being filed with the Registrar of Companies, Rajasthan for its incorporation. The feasibility of the venture is being evaluated and hence Accounting Standard-27 "Financial Reporting of Interest in Joint Venture" issued by the Institute of Chartered Accountants of India is not applicable to the company at present.

18. Figures have been shown in Rupees Crore in accordance with the approval from the Company Law Board.

19. Miscellaneous expenses include auditors' remuneration as per details given below :

(Rupees/Crore)

Sr. No.	Particulars	2006-07	2005-06
1	Audit fees (including service tax)	0.08	0.09
2	For certificate and other services	0.03	0.03
3	For traveling and out of pocket expenses	0.03	0.03

20. In line with the other products of the company, the valuation of bought out products is changed to weighted average cost basis from "First In First Out (FIFO) basis. As a result of this change, the value of inventories and profit for the year has increased by Rs 2.03 crore.

21. As per agreement with M/s Hindustan Petroleum Corporation Ltd., (HPCL) for supply of naphtha, Company is eligible to receive 20% of actual Deemed Export Benefit received by M/s HPCL on issue of Project Authority Certificate. During the year, company has received an adhoc payment of Rs.2.50 crore from M/s HPCL in this regard. The same has been accounted on receipt basis pending final settlement.

22. Additional Information

Additional information in respect of goods manufactured, value of imports calculated on CIF basis, expenditure in foreign currency during the year on account of royalty, know-how etc., consumption of raw materials, spares parts and components during the year, earnings in foreign exchange, etc. is as per Annexure-A.

23. Previous year figures have been re-arranged and regrouped wherever necessary and/or practicable to make them comparable with those of the current year.

SEGMENTWISE REVENUE & RESULTS FOR THE YEAR ENDED 31.03.2007

(Rs. in Lacs)

Sr. No.	Particulars	TROMBAY			THAL			TRADING			TOTAL			
		Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Unallocated	Total
SEGMENT REVENUE														
i.	Sales (Incl. Subsidy wherever applicable)	53799	36419	90219	219172	12580	231752	26829	0	26829	299800	48999	0	348799
ii.	Inter Segement Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Revenue	53799	36419	90219	219172	12580	231752	26829	0	26829	299800	48999		348799
SEGMENT RESULT														
i.	Segment Results	(3482)	14413	10931	17460	584	18044	97	0	97	14076	14997		29072
ii.	Loss on Impairment of Assets			0			0		0	0				0
iii.	Less: Other Unallocable Expenditure (Net of Unallocable Income)													226
iv.	Interest Expense													4877
v.	Interest Income													184
vi.	Operating Profit													24153
vii.	Prior Period Expenses/(Income)													7
viii.	Profit before Tax													24146
ix.	Tax - Current													6970
x.	Deferred Tax Liability/(Asset)													2302
xi.	Net Profit													14874

SEGMENTWISE REVENUE & RESULTS FOR THE YEAR ENDED 31.03.2006

Sr. No.	Particulars	TROMBAY			THAL			TRADING			TOTAL			
		Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Unallocated	Total
SEGMENT REVENUE														
i.	Sales (Incl. Subsidy wherever applicable)	65109	26315	91424	177207	10213	187420	25839	0	25839	268155	36528	0	304683
ii.	Inter Segement Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total Revenue	65109	26315	91424	177207	10213	187420	25839	0	25839	268155	36528		304683
SEGMENT RESULT														
i.	Segment Results	(309)	8394	8085	11137	(388)	10748	1213	0	1213	12041	8006		20046
ii.	Loss on Impairment of Assets			0			0		0	0	0	0		0
iii.	Less: Other Unallocable Expenditure (Net of Unallocable Income)													(1540)
iii.	Interest Expense													1700
iv.	Interest Income													1620
v.	Operating Profit													21506
vi.	Prior Period Expenses/(Income)													(61)
vii.	Profit before Tax													21567
viii.	Tax - Current													7700
ix.	Deferred Tax Liability/(Asset)													(929)
x.	Net Profit													14796



SEGMENTWISE OTHER INFORMATION FOR THE YEAR ENDED 31.03.2007

(Rs. in Lacs)



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Sr. No.	Particulars	TROMBAY			THAL			TRADING			TOTAL			
		Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Unallocated	Total
OTHER INFORMATION														
i.	Segment Assets	90548	14010	104559	129155	10592	139747	33867	0	33867	253571	24602		278173
ii.	Unallocated Corporate Assets												41629	41629
iii.	Total Assets	90548	14010	104559	129155	10592	139747	33867	0	33867	253571	24602	41629	319802
iv.	Segment Liabilities	12786	1154	13940	24179	630	24809	0	0	0	36965	1784		38749
v.	Unallocated Corporate Liabilities												24098	24098
vi.	Total Liabilities	12786	1154	13940	24179	630	24809	0	0	0	36965	1784	24098	62848
vii.	Capital Employed	77762	12856	90618	104976	9962	114938	33867	0	33867	216606	22818	17531	256955
vii.	Capital Expenditure			13252			2421			0			57	15729
viii.	Depreciation			3934			3311			0			297	7542
ix.	Loss on Impairment of Assets			0			0			0				0
x.	Other Non Cash Expenses			94			1			0			71	166

SEGMENTWISE OTHER INFORMATION FOR THE YEAR ENDED 31.03.2006

Sr. No.	Particulars	TROMBAY			THAL			TRADING			TOTAL			
		Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Total	Fertilizers	Industrial Products	Unallocated	Total
OTHER INFORMATION														
i.	Segment Assets	111427	8645	120072	105094	7994	113088	10461	0	10461	226982	16639		243621
ii.	Unallocated Corporate Assets												19237	19237
iii.	Total Assets	111427	8645	120072	105094	7994	113088	10461	0	10461	226982	16639	19237	262858
iv.	Segment Liabilities	25560	3574	29134	13514	484	13999	0	0	0	39074	4059		43133
v.	Unallocated Corporate Liabilities												25456	25456
vi.	Total Liabilities	25560	3574	29134	13514	484	13999	0	0	0	39074	4059	25456	68588
vii.	Capital Employed	85867	5071	90938	91580	7510	99089	10461	0	10461	187908	12580	(6219)	194270
vii.	Capital Expenditure			15592			1904			0			843	18339
viii.	Depreciation			3399			3281			0			173	6853
ix.	Loss on Impairment of Assets			0		0	0			0			0	0
x.	Other Non Cash Expenses			64			64			0			0	128



ADDITIONAL INFORMATION

ANNEXURE A

A. QUANTITATIVE INFORMATION IN RESPECT OF EACH CLASS OF GOODS MANUFACTURED DURING 2006-2007

Metric Tonnes

SR. NO	PRODUCTS	LICENSED CAPACITY	INSTALLED* CAPACITY (As certified by the Management)	ANNUAL PRODUCTION Without Adjustment for Shortages/Excesses	
		2006-2007 & 2005-2006	2006-2007 & 2005-2006	2006-2007	2005-2006
1	Ammonia	116,000	115,500	41,490	48,885
2	Ammonia (Trombay-V)	297,000	297,000	210,560	196,125
3	Ammonia (Thal)	N.A.	990,000	1,079,050	981,650
4	Urea (Trombay-V)	427,500	330,000	0	0
5	Urea (Thal)	N.A.	1,706,800	1,853,130	1,684,561
6	Suphala 15:15:15 (Complex Fertilizers)	300,000	300,000	482,800	430,500
7	Suphala 20:20:0 (Ammonium Nitrate Phosphate)	361,000	361,000	35,225	222,800
8	Methanol	37,500	49,500	60,250	56,085
9	Ammonium Bicarbonate	N.A.	4,000	20,436	20,009
10	Argon (million NM3)	N.A.	3	1.2	1.0
11	Nitric Acid (100%)	101,600	105,600	64,995	111,560
12	Nitric acid (100%)(Trombay IV)	255,000	247,500	216,830	236,705
13	Sulphuric Acid (98%)	99,000	99,000	78,204	86,036
14	Phosphoric Acid	32,000	30,000	21,754	25,430
15	Dilute Sulphuric Acid	N.A.	0	0	82,416
16	Sodium Nitrate/Nitrite	4,000	4,000	4,515	4,458
17	Concentrated Nitric Acid	N.A.	20,000	16,898	23,148
18	Methylamines - (Trombay)	4,000	4,000	5,884	5,783
19	Methylamines - (Thal)	N.A.	11,400	11,954	8,672
20	Hydroflurosilicic Acid	N.A.	1,400	0	0
21	Ammonium Nitrate (100%)	54,000	54,000	82,693	76,554
22	Dimethyl formamide	N.A.	2,500	5,012	3,529
23	N-15 (Grams)	N.A.	800	0	0
24	T.G.Urea (Trombay)	N.A.	0	0	0
25	T.G.Urea(Thal)	N.A.	0	25,070	33,789
26	Di Methyl Acetamide	N.A.	5,000	1,583	1,352
27	Carbon Monoxide Plant (million NM3)	N.A.	9.5	5.6	4.8
28	Biola (Bio Fertilizer)	150	150	101	85
29	Microla (Ltrs)	100,000	100,000	35,405	30,413
30	Formic Acid	N.A.	10,000	5,414	4,779
31	Sujala 19:19:19	N.A.	150	1,253	811

N.A Not Applicable

* Relied upon by Auditors without verification, this being a technical matter.



Rashtriya Chemicals and Fertilizers Limited

ADDITIONAL INFORMATION (Contd.)

RUPEES CRORES

B. VALUE OF IMPORTS CALCULATED ON C.I.F. BASIS

Particulars	2006-2007	2005-2006
i) Raw materials *	526.60	210.56
ii) Components & Spare parts	17.60	14.35
iii) Capital Goods	66.42	71.55
* Includes in transit as at year end Rs Nil crores (Previous year Rs 29.55 crores) and excludes imports through cannalising agencies Rs 39.75 crores (Previous year Rs.94.48 crores)		

C. EXPENDITURE IN FOREIGN CURRENCY

i) On account of Purchase of Traded goods, Royalty, know- how, professional consultancy fees, interest, licence fees and other matters	22.20	43.20
ii) Expenditure on foreign tours	0.13	0.15
iii) Subscription to journals	0.03	0.03

D. EARNINGS IN FOREIGN EXCHANGE

i) Export of Goods calculated on FOB basis	0.66	1.03
ii) Freight & Insurance recovered	0.01	0.01
iii) Tech.manpower fees	0.32	0.00

E. CONSUMPTION OF RAW MATERIALS, SPARE PARTS AND COMPONENTS

Particulars	2006-2007		2005-2006	
	Value Estimated	Total Consumption %	Value Estimated	Total Consumption %
A. Raw Materials				
Imported	283.65	24.58	312.10	30.13
Indigenous	870.40	75.42	723.67	69.87
Total	1154.05	100.00	1035.78	100.00
B. Spares and Components				
Imported	19.74	23.07	9.65	12.34
Indigenous	65.84	76.93	68.59	87.66
Total	85.58	100.00	78.25	100.00



**Additional Information as required under Part IV
of Schedule VI to the Companies Act, 1956.**

Balance Sheet abstract and Company's General Business Profile.

I. Registration Details :

Registration No.	011-20185
State Code	11
Balance Sheet Date	31 st March , 2007

II. Capital raised during the year :

(Amount in Rs. Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds :

Total Liabilities	320,099,000
Total Assets	320,099,000

Sources of Funds

Paid - up Capital	5,516,900
Reserves & Surplus	8,986,100
Secured Loans	2,209,600
Unsecured Loans	7,342,700
Deferred Tax Liability	1,669,900

Application of Funds

Net Fixed Assets	11,352,900
Investments	1,700
Net Current Assets	14,340,600
Miscellaneous Expenditure	30,000
Accumulated Losses	NIL

IV. Performance of Company :

Turnover (Sales & Other Income)	35,748,100
Total Expenditure	33,333,500
Profit / Loss (-) before Tax	2414600.00
Profit / Loss (-) after Tax	1487400.00
Earnings per share (Rupees)	2.70
Dividend Rate (%)	10.00%

V. Generic Name of Three Principal Products / Services of Company (as per monetary terms) :

Item Code No. (ITC Code)	3102.10
Product Description	Urea



Rashtriya Chemicals and Fertilizers Limited

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet abstract and Company's General Business Profile. (Contd.)

Item Code No. (ITC Code)	3105.20
Product Description	Complex Fertilizers
Item Code No. (ITC Code)	2814.10
Product Description	Ammonia
Signatories to Schedule 'A' to 'L' and Schedules I to XVI	

As per our report of even date attached

For **A.J. Shah & Co.**
Chartered Accountants

U.S.JHA
Chairman and Managing Director

Hiren C.Shah
Partner

M.Sundararaman
Director (Finance)

For **Batliboi & Purohit**
Chartered Accountants

K.C.Prakash
Company Secretary

R.D.Hangekar
Partner

Dated : 07.05.2007
Place: Mumbai

Dated : 07.05.2007
Place: Mumbai



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

Rupees in crore

Particulars	Year Ended March 2007	Year Ended March 2006
A Cash Flow From Operating Activities		
Net Profit before tax	241.46	215.67
Adjustments for :		
Depreciation/Loss on impairment of Assets	75.25	68.77
Profit(-) / Loss on sale of Assets	(0.98)	3.02
Profit(-) / Loss on sale of Investments	0.00	0.00
Interest Income	(1.84)	(16.20)
Dividend income	(0.05)	(0.04)
Interest on Borrowings	48.77	17.00
Provision for Bad/Doubtful debts	2.37	5.26
Miscellaneous Expenses written off	2.61	6.08
Operating Profit before Working Capital Changes	<u>367.59</u>	<u>299.56</u>
Adjustments for :		
Trade and Other Receivables	(51.97)	(256.98)
Inventories	(315.75)	29.49
Trade Payables and Other Liabilities	(9.99)	206.58
Miscellaneous Expenses not written off	(1.01)	(1.06)
Cash Generated from Operations	<u>(11.13)</u>	<u>277.59</u>
Direct Taxes Paid	61.79	84.18
Cash Flow before Extraordinary Items	<u>(72.92)</u>	<u>193.41</u>
Interest on Income Tax Refund (net)	0.00	0.00
Net Cash from Operating Activities — A	(72.92)	193.41
B Cash Flow from Investing Activities		
Additions to Fixed Assets	(179.42)	(157.42)
Sale of Fixed Assets	5.23	1.20
Purchase of Investments	0.00	0.00
Sale of Investments	0.00	0.00
Intercompany Deposits	0.00	0.00
Interest Received	1.86	16.29
Dividend Received	0.05	0.04
EEC Asset Management Reserve	0.01	0.01
Net Cash Used in Investing Activities — B	(172.27)	(139.88)



Rashtriya Chemicals and Fertilizers Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

Rupees in crore

Particulars	Year Ended March 2007		Year Ended March 2006	
C Cash Flow from Financing Activities				
Proceeds from Borrowings	687.07		64.66	
Repayments of Borrowings	(169.08)		(2.13)	
Interest paid	(45.93)		(16.09)	
Dividend paid (Includes interim dividend)	(55.16)		(77.11)	
Tax on Dividend	(7.74)	409.16	(10.83)	(41.50)
Net Cash from Financing Activities — C	409.16	(41.50)		
Net Increase/Decrease(-) in Cash and Cash Equivalent (A+B+C)	163.97	12.03		
Cash and Cash Equivalents as at 1st April (Opening Balance)	66.57	54.54		
Cash and Cash Equivalents as at 31st March (Closing Balance)	230.54	66.57		

Cash Flow Statement has been prepared based on Indirect Method prescribed under Accounting Standard - 3 (Revised) "Cash Flow Statements".

SCHEDULE

Statement of Significant Accounting Policies
Notes on Accounts

XV
XVI

As per our report of even date attached

For **A.J. Shah & Co.**
Chartered Accountants

U.S.JHA
Chairman and Managing Director

Hiren C.Shah
Partner

M.Sundaraman
Director (Finance)

For **Batliboi & Purohit**
Chartered Accountants

K.C.Prakash
Company Secretary

R.D.Hangekar
Partner

Dated : 07.05.2007
Place: Mumbai

Dated : 07.05.2007
Place: Mumbai



Members are Requested to Quote Their Folio Number Here: Folio No. _____

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED, MUMBAI

PROXY FORM

I/We _____ of _____ in
in the district of _____ being a member/ members of the above named
company hereby appoint Mr./Ms. _____ of _____
in the district of _____ as my/our proxy and the vote for me/
us on my/our behalf at the 29th Annual General Meeting of the Company to be held at 3.00 p.m. on, the 6th day of
July, 2007 and at any adjournment there of.

Signed this _____ day of _____ 2007

Signature _____

Affix
30 Paise
Revenue
Stamp

Notes:

1. The proxy form to be valid should be deposited at the Registered Office of the Company at "Priyadarshini", Eastern Express Highway, Sion, Mumbai 400 022 at least 48 hours before the Schedule time of the meeting.
2. The proxy for should be executed on 30 paise Revenue Stamp.

RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED, MUMBAI

Registered Office : "Priyadarshini", Eastern Express Highway,
Sion, Mumbai 400 022

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF YOGI SABHAGRUH,
BEHIND SWAMI NARAYAN MANDIR, DADAR (EAST), MUMBAI - 400 014.

NAME OF THE MEMBER :

FOLIO No. : / DPID No.

I hereby record my presence at the 29th ANNUAL GENERAL MEETING being held at **Yogi Sabhagruh, Behind Swami Narayan Mandir, Dadar (East), Mumbai - 400 014** on **Friday, the 6th day of July, 2007, at 3.00 p.m.**

SIGNATURE OF THE MEMBER OR PROXY



BOOK-POST

To,

If Undelivered, please return to :

The Company Secretary

Rashtriya Chemicals and Fertilizers Limited

(A Government of India Undertaking)

Registered Office :

"Priyadarshini", Eastern Express Highway,
Sion, Mumbai 400 022.

