



## **CHAIRMAN'S SPEECH**

# **42<sup>ND</sup> ANNUAL GENERAL MEETING OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED**



## **42<sup>ND</sup> ANNUAL GENERAL MEETING HELD ON 30<sup>TH</sup> DECEMBER, 2020**

### **CHAIRMAN'S SPEECH**

#### ***DEAR VALUED SHAREHOLDERS OF RCF,***

On behalf of the Board of Directors of your Company, Rashtriya Chemicals and Fertilizers Limited, I extend a warm welcome to each one of you at the 42<sup>nd</sup> Annual General Meeting.

We are in the midst of a global public health crisis which is threatening the entire humanity. The spread of COVID-19 virus has presented extraordinary challenges to the global economy and human livelihood.

Our Government has taken various steps for containing the spread of COVID-19. Your Company has also taken proactive measures to prioritize the health of its employees, their families and all those who are working at our different locations.

Before I deliberate on various aspects of my speech, let me take this opportunity to pay our sincere gratitude to each and every one working at the frontline -combating the pandemic in order to make the world safer and more convenient for all of us – the medical community, sanitation workers, essential service providers and the law enforcement agencies. I salute their brave efforts and pay homage to those who lost their lives during this pandemic.

I convey my best wishes for your health & safety, and that of your family members, in the backdrop of the Covid-19 pandemic. I am sure that all of us will come out of the crisis soon and resume our normal lives.

This AGM, the first on a virtual platform for RCF, reflects the power of digitalization as well as the resilience and adaptability of organizations and people in challenging times. Despite the COVID 19 pandemic, your company ensured that the plants are continuously functioning and production levels are maintained. Before I deliberate on the performance of the FY 2019-20, I would like to share with you some of the recent performance highlights that your company achieved during these challenging times:



In response to National vision of “Aatmanirbhar Bharat” and for import substitution of Chemical products, RCF has initiated several steps in recent times:

1. Restart of Methanol Plant: The Methanol plant at Trombay Unit was under shut down due to economic unviability since Nov 2018. RCF has successfully restarted Methanol production from 08th Sept 2020 at its Trombay Unit. Apart from trading, the captive requirement of Methanol is fulfilled by using this in-house Methanol production and as such the usage of imported Methanol for in-house use and trading purpose is stopped.

2. Restarting of Ammonia I plant at RCF Trombay Unit: Ammonia I plant which is generally not in operation is now brought in operation to fulfil the requirement of Ammonia in Trombay Unit. This will also result in reduction of import of equivalent quantity of Ammonia.

3. Optimizing production of Industrial Chemicals: RCF is manufacturing various Industrial Chemical products having high brand values. Production of our Industrial Chemical plants Nitric Acid, Ammonium Nitrate, Ammonium Bicarbonate, Concentrated Nitric acid and Sulphuric acid is optimised to meet the market demand. In spite of the challenges placed in view of COVID 19 pandemic, record sale of IPD products is achieved in the current year. Some of the highlights are:

- Monthly highest sale of AN melt of 16561 MT achieved in the month of Nov 2020.
- Daily highest sales record of Ammonia, Nitric Acid, Ammonium Nitrate melt, Ammonium Bicarbonate is achieved.
- RCF has achieved highest ever daily sale of its Industrial products of Rs 5.44 Crores on 18th Nov 2020.
- RCF also introduced IPA based hand cleansing gel in the market. The product is introduced in the current situation to help in controlling the spread of the COVID pandemic.

The Financial Statements along with the Directors’ Report have been with you for some time now and, with your permission, I shall take them as read.

Now I would like to briefly touch on the economic environment under which your Company delivered during the year and the challenges faced by the Company and the Industry.



## **1.0 ECONOMIC SCENARIO**

As per National Statistical Office (NSO), India's Gross Domestic Products (GDP) grew at 4.2 per cent in 2019-20, lower than the 6.1 per cent figure registered in 2018-19, one of the reasons being the COVID -19 pandemic and nation-wide lockdown which adversely impacted economic activity in the last month of the fiscal year, especially manufacturing and construction industry.

The government has continued its focus on augmenting farmers' income through various steps. Increased allocation across the schemes to drive irrigation facilities, improve agricultural markets, augmenting the allied sectors supporting farmer's income, setting up of food processing units, crop insurance schemes and income supplementation schemes are some of the major positives. With these steps, a positive effect on fertiliser offtake is expected.

## **2.0 INDUSTRY SCENARIO DURING THE CURRENT FY**

The country witnessed an on-time arrival of Southwest monsoon, followed by a quick spread across the region which has resulted in higher sowing thus augmenting the sales of fertilizers. The cultivation area during Kharif 2020 increased by around 4.8% as compared to the previous year. The fertilizer consumption during the first 6 months of the current FY registered an increase of around 24.6% as compared to the corresponding period of last FY. Imports have increased sharply by 18.2% due to by the sharp increase in urea imports.

Production of urea in the country increased by 5% during 7 months of financial year 2020-21 due to favorable weather and market conditions. DAP production fell by 10.1% during 7 months of financial year 2020-21. Decline in production can be attributed to the shortage in raw material availability and labor constraints. Imports on the other hand have risen by 13.9% in the same period. MOP imports have increased sharply by 13.1% during 7 months of financial year 2020-21. The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased sharply by 17.6% during 7 months of financial year 2020-21.



As you are aware, natural gas is the feedstock for producing urea and many of the other fertilizers. As per the New Domestic Gas Policy, the government revises the domestic natural gas prices every six months i.e. April-September and October-March. Currently (H2-FY21) the price for gas produced from local fields has been revised to USD 1.79/mmBtu which is the lowest price ever set as per the New Domestic Gas Policy. However, gas prices are likely to remain volatile in 2021.

As per our estimates, a 25.1% fall in natural gas prices could potentially lead to a 12% decrease in cost of production of urea, thus decreasing the working capital intensity of the fertilizer manufacturers and it will also act as a relief for the fiscal spending of the government while disbursing the urea subsidy.

Prices of R-LNG are usually governed by market dynamics based on contracts and are linked with the global crude oil prices. However, soon fertilizer plants could be taking delivery on India's first gas exchange — the Indian Gas Exchange (IGX) which has been launched in the start of FY21. Currently the exchange is only dealing with delivery of imported natural gas (LNG).

### **3.0 OUTLOOK AND CHALLENGES**

The fertilizer subsidy to be disbursed during financial year 2020-21 was announced to be Rs 71,309 crore with Rs 47,805 crores earmarked as the urea subsidy and the remaining Rs 23,504 crores earmarked for the nutrient based subsidy. In November 2020, the Hon'ble Finance Minister of India announced a Rs. 65,000-crore fertilizer subsidy for farmers as part of stimulus package to boost the economy. The allocated amount is being provided to ensure adequate availability of fertilisers to farmers and to enable timely accessibility of fertilisers in the upcoming crop season.

Sales have increased sharply by 19.3% during 1<sup>st</sup> half of financial year 2020-21 and going forward with the increase in liquidity of farmers and good moisture level in the soil we expect a very good Rabi season.

The rural economy continues to be a bright spot with two consecutive years of above normal rainfall. Further the government has announced an increase of MSP



upfront on the Rabi crops with its objective to provide minimum 50% returns on the cost of production to farmers.

We expect fertilizer production to increase in the coming months on the back of restocking activities undertaken by fertilizer manufacturers. Low raw material prices too will aid in spurring production. Currently the liquidity situation of manufacturers seems to have improved. Fall in input costs has improved the working capital situation of manufacturers. Urea manufacturers are to immensely benefit with the current low gas prices. Domestic gas prices have further fallen during the second revision. Another positive for urea makers is the clarity the government has finally provided in March with regards to the reimbursement of additional fixed cost. DAP prices are also low which will have an impact on working capital of decontrolled fertilizer manufacturers as well.

Vibrancy of rural demand and markets has been very promising so far despite the corona virus pandemic and economic uncertainty. With improved monsoons, surplus reservoir levels, record high sowing of *kharif* crops, demand outlook for fertilizers in the *rabi* season appears promising. Higher MSP procurement, high off take of seeds and prioritization of agriculture and businesses involved in the food chain along with freeing up of the market forces by the Government through introduction of path breaking reforms are expected to boost the demand for fertilizers going forward. Production is well as imports are expected to increase in the current year.

Agriculture growth in the first half of the year has been largely possible with the active assistance of the fertilizer industry. Prompt payment of subsidies by the Government of India will be necessary to sustain the sector which is heavily invested by way of enhanced production and imports to meet the burgeoning needs of the farmers.

Now, let me brief you on the performance of your Company for the financial year 2019-20.



#### **4.0 OPERATIONAL PERFORMANCE DURING FY 2019-20**

Your Company has time and again proved that no challenge is greater than their dedication and commitment which brings the Company to greater heights with every passage of time.

Some of the performance highlights of the FY 2019-20 have been:

- 1) Highest ever annual revenue of around Rs. 9697.75 Crore.
- 2) Highest ever dividend of 28.4% of equity share capital recommended by the RCF BOD.
- 3) Highest ever annual sale of RCF's premium NPK fertilizer Suphala.
- 4) RCF launched two new products during the FY: Organic Growth Stimulant & Water Soluble Silicon Fertilizers.
- 5) RCF commissioned 15 million liters per day capacity Sewage Treatment Plant during FY 2019-20.
- 6) RCF got recognized as a 'State Trading Enterprise' for import of urea on Government account.

The frame of reference in which your Company operates i.e. the state of economy in general and fertilizer industry in particular, during 2019-20, is briefly outlined for better understanding of the performance of your Company. I am glad to inform you that against all odds, your Company stood up to the challenges and delivered a good performance.

During the year, your Company achieved Revenue from operations of Rs. 9697.95 crore as against Rs. 8885.47 crore in previous year (PY). Despite considering revision in fixed cost as per modified NPS-III w.e.f. 2<sup>nd</sup> April, 2014 during the year under subsidy income and higher sales & margins of Complex Fertilizers and traded products, Profit before Tax (PBT) during the year, stood at Rs. 202.93 crore as against Rs. 235.25 Crore due to provision towards exceptional items of Rs 100.17 crore on account of downward revaluation of transferrable development rights and increase in finance cost. Profit after Tax (PAT) stood at Rs.208.15 crore as against



Rs.139.17 Crore as your Company exercised its option to pay Income-Tax at lower rate as per Finance Act Amendment Bill 2019 – Income Tax Section 115BBA.

Your Company achieved sales volume of 33.01 lakh MT of Fertilizers during 2019-20 as compared to 30.49 lakh MT during the previous year. The total sale of manufactured fertilizers during 2019-20 was 29.65 lakh MT as against 29.15 lakh MT during the previous year. Sales of manufactured fertilizers registered moderate increase of 1.72% over previous year. During the year, your Company has achieved highest ever sale of 6.08 lakh MT of Suphala 15:15:15 and 0.403 lakh of City Compost. Your company increased the sale of traded fertilizers from 1.33 lakh MT during FY 2018-19 to 3.34 lakh MT during FY 2019-20.

Your Company produced 29.19 lakh MT of fertilizers (23.48 lakh MT of Urea & 5.71 lakh MT of Suphala 15:15:15) during the year as against 29.36 lakh MT of fertilizers (23.75 lakh MT of Urea & 5.61 lakh MT of Suphala 15:15:15) produced during the previous year.

In addition to above, your Company has produced 106.20 KL of Biola, 237.98 KL of Microla and 3956 MT of Sujala as compared to 73.14 KL of Biola, 264.55 KL of Microla and 3600 MT of Sujala respectively during the previous year. During the year, your Company has produced 2.15 KL of Soluble Silicon Fertilizer, 2.97 KL of Organic Growth Stimulant and 5.22 KL of Water pH balancer.

During the year, your Company produced approx. 1.71 lakh MT of various major industrial chemical products as against approx. 2.27 lakh MT during the previous year. This includes Methanol, ABC, CAN, SNNP, MAP, DMAC, FA, AR, AN Melt only & excluding intermediate products.

## **5.0 AWARDS**

I am also happy to share with you the several recognitions and awards received by the company under various categories from Central as well as State Government and Institutes of repute for Excellence in Environment Management, Gold Trophy in International Convention on Quality Circle, Energy Conversation Award, Best



performance for complex fertilizers, Excellence in safety Health and Environment, Excellence in Safety, Energy of Conservation and so on. Details of the same can be seen in the annual report already available with you.

## **6.0 DIVIDEND**

Although your Company has lined up a number of capex programmes entailing substantial expenditure, considering the consistent profits being made by the Company, your Directors have recommended a dividend of Rs.2.84 (i.e.28.40%) per equity share for the financial year 2019-20 which is the highest in the history of RCF.

## **7.0 MEMORANDUM OF UNDERSTANDING WITH GOVERNMENT**

In spite of the huge challenges, your company could secure “Very Good” rating for the year 2018-19 signifying a marked improvement in performance.

## **8.0 FUTURE PLAN**

The road ahead is filled with challenges and opportunities. Your company is fully equipped to grab the opportunities and face any challenges that the market throws up. Your Company is targeting energy reduction to the tune of about 0.062 Gcal MT of Urea at Thal unit and 0.69 Gcal MT of Urea at Trombay unit in future which would contribute to overall growth. As a revenue generation strategy, Company is mulling growth through new product variants of NPK fertilizers both through manufacturing and trading.

The Company has been regularly undertaking expansion and modification projects to improve efficiencies, reduce emissions, reduce costs and augment capacities of its manufacturing plants. The same are detailed in the Annual report.

I will briefly mention some of the major projects that have been planned for the growth of the company and are under implementation at Trombay and Thal.

### **i. Energy saving schemes at Trombay and Thal:**

- ✓ Gas Turbine at Trombay
- ✓ Trombay Urea-V Plant Revamp (Casale Scheme)
- ✓ Trombay Ammonia V Plant Revamp (KBR Scheme)
- ✓ Variable frequency drive (VFD) for HP Ammonia Feed pump at Thal
- ✓ Ammonia Refrigeration Compressor (ARC) – IV Project at Thal



An investment of approximately Rs.687.88 Crore is being planned in these projects.

## **ii. Sewage Treatment Plant (STP) at Trombay**

Your Company is running two Sewage Treatment Plants (STP) at Trombay Unit with each plant having capacity to treat around 22.75 Million Litres per Day (MLD) of sewage received from MCGM which otherwise would have been drained in to the sea after preliminary treatment. The STP plants treat waste sewage generated in the city and convert it into treated water. Both plants generate about 30 MLD of treated water which is being used in our plants as process water. A portion of treated water generated is supplied to M/s BPCL. During the year 2019-20, about 58,14,367 M<sup>3</sup> of treated water was generated at both STP plants.

Both STP plants of your Company are of great value to residents of Mumbai and society at large besides improving reliability of operations of RCF Trombay Unit.

## **iii. Joint Venture Projects:** Plan for expansions in big way are envisaged as under:

- ✓ **Coal Based Fertilizer Plant**, comprising of 2200 MTPD Ammonia plant and 3850 MTPD Urea plant, at Talcher, Odisha based on coal gasification technology is estimated to cost approx. Rs.13,277 (±10%) Crore. The project is of strategic importance for the country as it aims to make breakthrough for an alternative source of feedstock in the form of abundantly available coal from domestic sources. Success of this project is expected to be a game changer and shall pave a way forward to the production of chemicals and fertilizers from abundantly available coal resulting in less dependency on RLNG imports. It will also help in meeting much needed Urea production capacity for the eastern part of the Country. TFL has awarded major tenders i.e. Coal Gasification Package of Rs.5489 Crore and Ammonia Urea Package of Rs.2432 Crore to L-1 Bidder M/s Wuhuan on 11<sup>th</sup> September, 2019 & 19<sup>th</sup> September, 2019 respectively. Other site activities are in progress.
  
- ✓ **Revival of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) – Namrup Unit:**



DoF has nominated RCF & NFL along with Oil India Ltd., Govt. of Assam and BVFCL in joint venture for revival of Namrup unit of Brahmaputra Valley Fertilizer Corporation Limited. The proposed project entails setting up an Urea plant with an annual capacity of 1.27 million MT. The estimated Project Cost is Rs.7,628 Crore. The feasibility study for the project is being carried out by PDIL.

Your Company is also looking for opportunities for long term fertilizer off take from overseas to ensure sustained growth.

## **9.0 CPSE CONCLAVE**

DPE has embarked on a collaborative exercise for re-defining the role and functioning of Central Public Sector Enterprises (CPSEs) in the context of challenges and expectations emerging from broad vision of 'New India-2022'. This exercise had culminated in the CPSE Conclave “New India - Vision 2022” held on 9th April, 2018 at Vigyan Bhavan, New Delhi which was addressed by Hon'ble Prime Minister.

In line with the directions given by Hon'ble Prime Minister at the conclave, DPE has prepared broad framework of action plan comprising of objectives, actionable points, metric and responsibility and have circulated the same amongst all CPSEs for developing Company specific actionable points and targets to be achieved by 2019 (short-term) and long-term (to be achieved by 2022).

In line with above, your Company has prepared the Company specific actionable points with targets and has been working on achieving the same. The actionable points are pertaining to contribution towards import substitution, minimizing the import bill of the Country, plan to improve ranking of your Company among Fortune India 500 Companies, promotion of R&D activities, Alignment of CSR activities with national priorities, handholding of MSEs, skill India movement, supporting start-ups, development of township as mini smart city, reduction in wasteful expenditure, increasing geo-strategic reach of a Company.



## **10.0 RESEARCH AND DEVELOPMENT**

The tool to future sustainability is Research and Development (R&D). Your Company has taken up several Research and Development projects, some of which are for commercial scale design and engineering. Our strong R&D team has been analysing soil, weather, and crop data through various new-age technologies, in order to empower the farmers with predictive farming skills. I am pleased to announce that, as the result of sustained efforts in Research & Development, your Company has launched 2 new products during the year - Organic Growth Stimulant and Soluble Silicon Fertilizer. Organic Growth Stimulant, launched on November 21, 2019, is an organic product which promotes integrated nutrient management system, enhances yield and enhances the effectiveness of conventional mineral fertilizers. R&D also successfully launched on January 23, 2020, Soluble Silicon Fertilizer, a mixture of Silicon and Potassium which enhances plant resistance and tolerance to various biotic and abiotic stresses.

## **11.0 HUMAN RESOURCES**

Your Company has always maintained good industrial relations with all its employees. All issues are settled through regular discussions, meetings and dialogues. Your Company has a very strong corporate management team. The systems and procedures are constantly upgraded and improved imbibing the best of management techniques and Corporate Governance norms.

## **12.0 CSR ACTIVITIES**

As part of its initiatives under “Corporate Social Responsibility”, the Company has undertaken several projects in the areas of rural development, health care and education, with the aim of serving the needy. During the year, your company has spent Rs.3.42 Crore on CSR activities which, inter alia, includes scholarship to meritorious students, supply of mid day meals , supply of drinking water to the villages, community medical facility- running of mobile medical van, rural sports, livelihood enhancement projects, mini science centres & medical equipment at aspiration district Osmanabad. Your Company has also made successful efforts to support the clean and green India campaign under its CSR activities.



### **13.0 SUSTAINABLE DEVELOPMENT**

Your Company has taken up several Sustainable development activities such as Building of Check Dams, Prevention of soil erosion and watershed management, reduction of Green House Gas emissions, sustainable electricity distribution based on Solar Energy, etc.

### **14.0 HEALTH, SAFETY AND ENVIRONMENT**

Your Company is committed to ensuring clean environment, beyond satisfying all stipulated requirements laid down by the statutory authorities, around its operating units.

Your Company has established ISO 14001 compliant Environment Management System (EMS) at its both manufacturing units. The Systems are constantly upgraded and regular Internal Audits and Management Reviews are carried out to ensure compliance and continuous improvement in the system.

The Effluent Treatment plants at Trombay and Thal have ensured that the environment in and around the Units are fully protected. Various schemes with state-of-the-art technologies and modernization schemes are implemented to reduce energy consumption and wastages of the scarce natural resources. The waste streams from the plants are recycled/ reused for useful purpose.

Trombay and Thal units of the Company have taken up tree plantation drives in factory premises, in residential colony and surrounding areas and have planted numbers of trees in the year 2019-20.

### **15.0 CORPORATE GOVERNANCE**

Your Company believes that sound corporate governance is fundamental to the enhancement of the value of the Company and its long term growth. Based on the core principles of fairness, transparency and accountability, your Company strives to maintain a high standard of governance through comprehensive and efficient frame work of policies, procedures and systems to promote responsible corporate culture. During the year 2019-20, your Company has received “Excellent” Rating on Corporate Governance.



## 16.0 MEMBERS' ACTIVE INTEREST IN THE COMPANY

It is heartening to see the share owners taking very active interest in the Company by interacting with senior management regularly.

## 17.0 ACKNOWLEDGEMENT

I convey my heart felt gratitude and sincere thanks to all the stakeholders of the Company for their unstinted support; faith and trust reposed in the Company, which has helped us to perform in an excellent manner. I would like to thank all my colleagues, both past and present, on the Board for their unstinted support and guidance. I would also like to thank the Government of India particularly the Department of Fertilizers and FICC, Government of Maharashtra, MCGM and other State Governments, Statutory, Cost, Secretarial and Government Auditors, Banks, Financial Institutions, Railways, MoU Task Force, Local authorities, Factory Inspectorate and IBR, customers, suppliers, vendors and contractors for their continued support.

The Board wishes to place on record its deep appreciation of the valuable guidance and significant contributions made by Shri Umesh V. Dhattrak, Shri Suryanarayana Simhadri & Ms Gurveen Sidhu during their tenure on the Board.

Finally, I thank "Team RCF" for their dedication and sincere efforts in ensuring the smooth and excellent functioning of the Company, without whose continuous support and hard work none of this would have been possible.

Thank you Ladies and Gentlemen. ***"Let us Grow Together"***.

I now move the annual accounts for adoption.

**(S. C. Mudgerikar)**  
**Chairman & Managing Director**

Date: 30<sup>th</sup> December, 2020  
Place: Mumbai