



CHAIRMAN'S SPEECH

43RD ANNUAL GENERAL MEETING OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED



43RD ANNUAL GENERAL MEETING HELD ON 28TH OCTOBER, 2021

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DEAR VALUED SHAREHOLDERS OF RCF,

On behalf of the Board of Directors of Rashtriya Chemicals and Fertilizers Limited, I extend a warm welcome to each one of you in the 43rd Annual General Meeting. I trust that you and your family members are in the best of health.

The Directors' Report and Audited Financial Statements along with report of the Statutory Auditors and report of Comptroller and Auditor General of India are already with you. I am sure you are fully aware of the physical and financial health of the Company.

Now I would like to briefly touch upon 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

Indian economy got affected due to the COVID-19 pandemic which resulted in estimated negative growth of about 8% for the year 2020-21. ICRA forecasted India's real GDP growth in 2021-22 to 9% citing the brightening prospects for financial year 2021-22, benefitting from the rapid ramp-up in Covid-19 vaccine administration & healthy advance estimates of kharif output. The widening coverage of Covid-19 vaccines is likely to boost confidence, which will in turn re-energise overall demand. Moreover, the robust Kharif harvest is likely to sustain the consumption demand from the farm sector.

2.0 INDUSTRY SCENARIO DURING THE CURRENT FINANCIAL YEAR

Fertilizer and agriculture sectors provided much needed strength to Indian economy during the COVID-19 pandemic. Apart from providing fertilizers, the domestic fertilizer industry also extended all possible help and support to the country in fighting COVID crisis including contribution to PM Care Fund & providing direct help to the citizens affected by COVID during lockdown. Many of the fertilizer



companies are setting up plants for medical grade oxygen to tide over the present oxygen crisis in the country. The fertilizer industry is fully committed to work with the government in these difficult times.

Overall fertilizers production has increased by 1.82 % during financial year 2020-21 as against financial year 2019-20. 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 which has led to an increase in production.

Production of urea increased by 0.60% during the financial year 2020-21 as against 2019-20 due to favourable weather and market conditions. DAP production fell by 17.05% during financial year 2020-21 as against financial year 2019-20 due to the shortage in raw material availability and increase in prices of inputs. The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased by 16.04 % during financial year 2020-21 as against financial year 2019-20.

Imports have increased sharply by 14.29% due to by the sharp increase in urea, NPK and MOP imports.

Overall sales of fertilizers have increased by 7.09% during financial year 2020-21 as against financial year 2019-20. Sales of Urea, DAP, NPKS and MOP have increased by 4.55%, 2.13%, 16.84% and 19.06% respectively during financial year 2020-21 as against financial year 2019-20. The momentum in sales has been sustained due to a favourable monsoon season, which has led to good crop sowing.

3.0 OUTLOOK AND CHALLENGES

Going forward with the increase in liquidity of farmers and good moisture level in the soil we expect a very good Rabi season. Keeping this in mind, the demand for fertilizers for the rest of financial year 2021-22 seems positive. Additional allocation of Rs.14,775 crore for meeting the increased subsidy out go for phosphatic fertilisers in kharif season will keep credit profile of the Fertilizer Industry Stable.



The rising fertiliser prices in the international markets are expected to continue during the remaining period of financial year as well putting pressure on profitability of the industry as well as the subsidy budget. Term LNG prices have increased with the rise in crude oil prices along with spot LNG prices. Phosphatic fertiliser input prices remain to be high with no signs of moderation in the current fiscal.

For financial year 2021-22, profitability is expected to remain stable for the industry, given the expectations of a normal monsoon for the upcoming kharif season.

Now, let me brief you on the performance of your Company for the financial year 2020-21.

4.0 OPERATIONAL PERFORMANCE DURING FY 2020-21

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

Some of the performance highlights of the FY 2020-21 have been:

- 1) Highest ever Profit Before Tax (PBT) of Rs. 516.17 crore and Profit After Tax(PAT) of Rs. 373.11 crore
- 2) Company achieved a record revenue of Rs.1138.48 crore during the year from its industrial chemicals segment which is highest ever since inception
- 3) Highest ever dividend of 29.80% of equity share capital recommended by the RCF BOD.
- 4) Yearly highest ever sale of 50,930 MT City compost.
- 5) Highest ever sale of 347 KL of Microla.
- 6) Second Highest sale of 7100 MT of Sujala.
- 7) Highest ever sale of AN melt of 1.399 LMT.
- 8) Highest ever yearly production of Tri Methyl Amine (TMA) of 2475 MT.

The frame of reference in which your Company operates i.e. the state of economy in general and fertilizer industry in particular, during 2020-21, 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 stellar performance.

During the year 2020-21, your Company achieved Revenue from Operations of Rs. 8281.18 crore as against Rs. 9697.95 crore in previous year which was on account of lower gas prices, resulting in lower subsidies of Urea. However, your Company achieved a record revenue of Rs.1138.48 crore during the year from its industrial chemicals segment which is highest ever since inception. Your Company has reported the highest ever Profit Before Tax (PBT) of Rs. 516.17 crore for financial year 2020-21 as compared to Rs. 202.93 crore for the previous year registering a growth of more than 154%. The previous highest PBT was Rs. 509.63 crore in the year 2014-15. Profit after tax for financial year 2020-21 surged to Rs. 373.11 crore from Rs 208.15 crore in previous year registering an increase of 79.25%, as the Company gained from improved energy efficiencies, improved productivity, better margins of industrial chemicals and reduction in finance cost.

Your Company achieved sales volume of 31.42 lakh MT during 2020-21 as compared to 33.05 lakh MT during the previous year. Your Company sold 22.62 lakh MT of Urea and 5.43 lakh MT of Suphala 15:15:15 as compared to 23.57 lakh MT of Urea & 6.08 lakh MT of Suphala 15:15:15 during previous year. The total sale of manufactured fertilizers (Urea, NPK & Value added products) during 2020-21 was 28.12 lakh MT as against 29.69 lakh MT during the previous year. Sales of manufactured fertilizers registered reduction of 5.40% over previous year due to pandemic situation in the country resulting in production constraints for a brief duration and less availability of raw material.

Your company sold 3.31 LMT Imported and traded products i.e. DAP, MOP, Imp NPK, City compost etc. as compared to 3.35 LMT during previous year.

The sale of value added products such as Microla and Sujala picked up momentum during the year. Microla sale registered growth of 29.2% touching 347.4 KL during the year as against 268.8 KL in the previous year. Combined sale of manufactured and imported water soluble fertilizers under the brand name 'Sujala' touched a high of 7100 MT during the year as against 4424 MT sold in the previous year. Other



products such as Biola, pH balancer, Silica and Organic Growth Stimulant also registered healthy volumes during the year

Your Company has been designated as State Trading Enterprise (STE) in October 2019 for Import of Urea on Government Account. Based on the instructions of Department of Fertilizers (DoF), your Company imported approx. 45.11 lakh MT quantity of Urea through issue of total four (4) Global tenders during the year 2020-21.

I am pleased to announce that a dispute between Rashtriya Chemicals and Fertilizers limited and GAIL (India) Limited (GAIL) for recovery of differential gas pricing for an amount of Rs. 1439.57 crores filed by GAIL before IMC/ Administrative Mechanism for Resolution of CPSEs Disputes (AMRCD) for the period 2006 to 2016 has been settled under AMRCD mechanism for Rs. 87.17 Crore. Accordingly, with the settlement of above-said dispute, no further liability on this account exists against the Company for this period.

5.0 ATMANIRBHAR BHARAT

Under 'Atmanirbhar Bharat', your Company has started Methanol plant at Trombay. Sale of Methanol will improve our turnover and profitability. Enhancement of existing production capacity of AN Melt & improved energy consumption has been proposed. Sale of high volume products like Ammonia, AN(Melt) & DNA will facilitate improvement in turnover as well as profitability. Maximizing sale of SNA 72% & 68% will support in improving Profitability.

6.0 AWARDS

I am also happy to share with you the several recognitions and awards have been received by the company under various categories from Central as well as State Government and Institutes of repute for Excellence in Environment Sustainability (Green Initiatives), Best performance for complex fertilizers, Excellence in Water Management, Outstanding Achievement in Environmental Protection Category and



Industry Sector Safety Excellence Category, and so on. Details of the same can be seen in the annual report already available with you.

7.0 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 final Dividend of Rs.1.78 per equity share of Rs.10/- each for the financial year 2020-21. Your Board had earlier approved payment of interim dividend of Rs.1.20 per equity share of Rs.10/- each for the financial year 2020-21, at its meeting held on February 5, 2021 and same was paid to the shareholders on March 2, 2021. The total dividend for the financial year 2020-21 amounts to Rs.2.98 per equity share which is highest in the history of RCF.

8.0 MEMORANDUM OF UNDERSTANDING WITH GOVERNMENT

The performance rating for 2019-20 MoU has been finalised by the Government and the Company achieved “Very Good” rating for the year 2019-20.

9.0 FUTURE PLANS

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 0.012 Gcal /MT of Urea at Thal unit and 0.55 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 Ammonia V Plant Revamp (KBR Scheme)
- ✓ Variable frequency drive (VFD) for HP Ammonia Feed pump at Thal

An investment of approximately Rs.506.68 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 2020-21, about 7034.27 Million Litres of treated water was generated at both STP plants.

Besides improving reliability of our operations in Trombay Unit, both STP plants are of great value to residents of Mumbai and society at large.

iii. Joint Venture Projects: Plan for expansions through JV route 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 ($\pm 10\%$) 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. The



commissioning of the project is scheduled to be completed by September 2023. However, the same is likely to get affected due to Covid-19 pandemic.

✓ **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.

10.0 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 and have circulated the same amongst all CPSEs for developing Company specific actionable points and targets to be achieved by 2022-23.

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 minimizing the import bill of the Country, promotion of R&D activities, Alignment of CSR activities with national priorities, handholding of MSEs, skill India movement, sharing best practices & infrastructure, supporting start-ups, reduction in wasteful expenditure, increasing & geo-strategic reach of the Company.



The status of each and every actionable point is reviewed by Management on fortnightly basis and by Board of Directors on quarterly basis. The status is also updated on “DRISHTI” dashboard every month.

11.0 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, on February 2021, your Company has launched Biostimulant Organic Product which is based on organic substances which positively influence the growth and resistance of plants, resulting in a lower pest and disease pressure in the crop and a higher yield. Biostimulant is available in liquid form which is easy for application through soil, drip and foliar spray. It is an eco-friendly product.

12.0 HUMAN RESOURCES

Your Company has always maintained good industrial relations with all its employees. All Industrial relations 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.

13.0 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.4.22 Crore including Rs.0.64 Crore set off for succeeding financial year on CSR activities which, inter alia, includes Supply of drinking water to the villages ,



Contribution to PM Care fund COVID-19 pandemic relief activities such as setting up of oxygen plants at Shatabdi Hospital in Mumbai along with two(2) other plants in rest of the country, Financial Assistance for Medical Equipment for Civil Hospital, Alibag Dist. Raigad, Maharashtra, livelihood enhancement projects, Rural Development- Road Repairing, Garbage Vans to Villages, Distribution of Oxymeter and Thermal Thermometers in slum areas, Treatment of OPD Patients, Woman Empowerment projects, procurement of Medical equipments for Primary Health Center and train graduating students in their final year to make them skilled manpower at aspiration district Osmanabad. Your Company has also made successful efforts to support the clean and green India campaign under its CSR activities.

14.0 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.

15.0 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 purposes.



Trombay and Thal units of the Company have taken up massive tree plantation drives in factory premises, in residential colonies and, surrounding areas during the year 2020-21.

16.0 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. The Company expects “Excellent” Rating on Corporate Governance on compliance of DPE guidelines for the year 2020-21.

17.0 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.

18.0 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.



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: October 28, 2021
Place: Mumbai