

*Striving Towards
Another Green Revolution*

37th

Annual Report

2010-2011



NATIONAL FERTILIZERS LIMITED

Pioneers in the Manufacture of Neem Coated Urea

Our Mission

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

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Management Team

BOARD LEVEL

Satish Chandra

Chairman & Managing Director

Neeru Abrol

Director (Finance)

R.K. Aggarwal

Director (Technical)

Capt. Pavan Kumar Kaul

Director (Marketing)

CORPORATE HEADS

Vigilance

Finance & Accounts

Technical

Human Resource & Public Relations

Materials Management

Marketing

Management Services

Company Secretariat & Legal

Corporate Planning

Internal Audit

Ajoy Kumar

Rakesh Sahai

P.C. Jain

S.N. Mahey

Rajiv Johri

S.K. Ghai

N.R. Satyapalan

Tek Chand

N.N. Arora

S.L. Basran

Chief Vigilance Officer

Executive Director

Chief General Manager

Chief General Manager

Chief General Manager

General Manager I/c

General Manager

Company Secretary

Dy. General Manager

Dy. General Manager

UNIT HEADS

Nangal

Panipat

Bathinda

Vijaipur I & II

B.G. Singh

R.K. Bhatia

K.B. Verma

S.M.H. Rizvi

General Manager I/c

Executive Director

Executive Director

Executive Director

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Patiala

Bank of India

Punjab National Bank

Union Bank of India

Oriental Bank of Commerce

AUDITORS

S.P. Chopra & Co.

Chartered Accountants,

New Delhi

DSP & Associates,

Chartered Accountants,

New Delhi

REGISTRAR & TRANSFER AGENTS

Mas Services Limited,

T-34, IInd Floor,

Okhla Industrial Area-II,

New Delhi - 110020

Board of Directors



Shri Satish Chandra
Chairman & Managing Director



Ms. Neeru Abrol
Director (Finance)



Shri R.K. Aggarwal
Director (Technical)



Capt. Pavan Kumar Kaul
Director (Marketing)



Shri Munikoti Niranjana Rao
Director

Performance at a Glance

Financial Highlights

(₹ in Crore)

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Sales (Net)	1873	1696	1683	1623	1649	1634	1726	1731	1594	1532
Subsidy	3918	3396	3444	2518	2217	1957	1748	1657	2060	1418
Turnover (incl. Subsidy)	5791	5092	5127	4141	3866	3591	3474	3388	3654	2950
Earnings before depreciation, interest and tax (EBDITA)	302	365	293	262	387	312	357	329	688	270
Interest and Finance Charges	9	11	41	17	17	8	22	34	72	110
Depreciation	89	94	96	89	106	125	120	176	168	112
Profit before Tax	204	260	156	156	264	179	215	119	448	48
Profit after Tax	139	172	97	109	176	116	161	85	286	41
Gross Fixed Assets	2930	2924	2906	2925	2903	2897	2862	2846	2839	2692
Net Fixed Assets	599	666	734	809	871	963	1050	1153	1322	1342
Current Assets, Loans and Advances	2115	2082	1524	1443	1693	1272	1007	1147	1476	1432
Current Liabilities and Provisions	998	794	885	816	692	553	601	372	746	614
Working Capital	1117	1288	639	627	1001	719	406	775	730	818
Borrowings	613	403	265	525	327	227	60	618	754	818
Net Worth	1672	1582	1471	1408	1371	1256	1186	1080	1027	1093
Capital Employed (Net Fixed Assets + Working Capital)	1716	1954	1373	1436	1872	1682	1456	1928	2052	2160
Production (Urea) (Lakh MT)	33.80	33.30	33.44	32.68	33.51	33.44	34.32	32.50	32.12	31.91
Capacity Utilisation (Urea) (%)	104.6	103.1	103.5	101.1	103.7	103.5	106.2	100.6	99.4	99.5
Sales (Urea) (Lakh MT)	33.59	33.78	33.77	32.38	33.54	33.63	34.73	33.87	32.89	32.92
Employees (Nos.)	4596	4760	4868	4786	4736	4769	4853	4940	5404	5751

Key Indicators

EBDITA/ Turnover (%)	5.21	7.17	5.71	6.33	10.01	8.69	10.28	9.71	18.83	9.15
Return on Net Worth (%)	8.31	10.87	6.59	7.74	12.84	9.24	13.58	7.87	27.85	3.75
Return on Capital Employed (%)	8.07	8.78	7.10	7.56	9.41	6.92	11.06	4.41	13.95	1.88
Earning per Share of ₹10 (₹)	2.82	3.50	1.99	2.21	3.59	2.37	3.28	1.73	5.84	0.83
Debt/Equity	0.37 : 1	0.25 : 1	0.18 : 1	0.37 : 1	0.24 : 1	0.18 : 1	0.05 : 1	0.57 : 1	0.74 : 1	0.77 : 1
Current Ratio	2.12 : 1	2.62 : 1	1.72 : 1	1.76 : 1	2.45 : 1	2.30 : 1	1.67 : 1	3.09 : 1	1.98 : 1	2.33 : 1
Value Added per Employee (₹ in Lakhs)	23	23	20	19	19	17	18	17	24	15

Directors' Report

To,

Dear Members,

Your Directors are pleased to present the 37th Annual Report on the business and operations of the company together with the audited accounts for the year ended March 31, 2011.

Financial Highlights

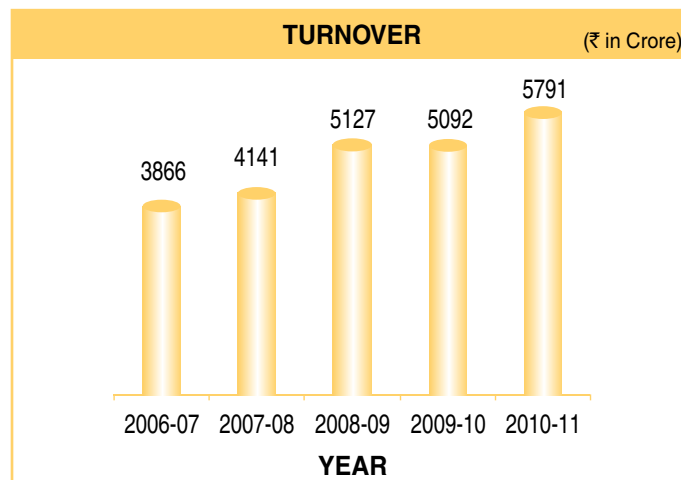
During the year under review, the Company achieved turnover of ₹ 5791 crore (previous year ₹ 5091 crore). The profit before tax was ₹ 203.92 crore (previous year ₹ 259.95 crore) and profit after tax was ₹ 138.50 crore (previous year ₹ 171.51 crore). The decrease in profit over previous year is mainly due to higher receipt of subsidy arrears during the previous year and decrease in interest income. This has been off set by higher production, lower energy consumption, and higher sale of Industrial Products. The total borrowings of the company as at 31st March, 2011, stood at ₹ 613.06 crore (₹ 403.16 crore as at 31st March, 2010). The borrowings include long term loan of ₹ 150 crore to finance the under implementation capital scheme of change over of feed stock from Fuel-oil to Natural Gas at Nangal, Bathinda and Panipat and buyers credit of ₹ 41.22 crore for Urea capacity enhancement projects at Vijaipur. The cash credit utilization was ₹ 343.84 crore and short term loan of ₹ 78 crore was outstanding as on that date.

Dividend

The Directors have recommended a dividend of ₹0.85 per share (previous year ₹1.05 per share) subject to approval of the members. The total dividend pay-out is ₹48.46 crore (including dividend tax of ₹6.76 crore) and accounts for 30% of profit after tax. A sum of ₹13.85 crore has been transferred to the general reserve during the year (previous year ₹ 17.15 crore).

Operations

During the year, your company produced 33.80 lakh tonnes of Urea (104.06% of installed capacity), including 1.49 lakh tonnes of additional production from Vijaipur Plants, compared to 33.30 lakh tonnes in the previous year. Vijaipur units achieved ever-best yearly production of Urea and Ammonia at 18.78 lakh tonnes and 10.92 lakh tonnes respectively, which was 108.6% and 108.8 % of installed capacity. The three fuel oil based plants achieved 100% capacity utilization on cumulative basis. The production beyond 100% capacity utilization in fuel oil based plants is not economically viable in terms of Pricing Policy of Urea. The company achieved ever-best Bio-Fertilizers production of 231 tonnes during the year against earlier best production of 226 tonnes in 2009-10. Ever best lower energy consumption of 9.446 Gcal/tonne of urea was achieved at Nangal during 2010-11 surpassing the previous best lowest energy consumption of 9.505 Gcal/tonne of urea in 2008-09. The percentage share of NFL in urea production in the country has been estimated at 15.4%. Company has also started the production of foundation and certified seeds under a pilot project.



Sales & Marketing

Company sold 33.59 lakh tonnes of Urea (including Neem coated Urea of 1.20 lakh tonnes) against 33.78 lakh tonnes (including Neem Coated Urea of 0.38 lakh tonnes) in the previous year. In spite of marginal drop in sales quantity mainly due to limitation of railway wagons, the sales turnover including subsidy for the year was ₹ 5791 crore, an increase of 14% over ₹5091 crore in the previous year. The increase in turnover is due to increase in subsidy resulting from increase in the prices of petroleum products and revision in the price of APM Gas from 1st July, 2010, higher sales of industrial products, etc. Bio-fertilizers sales at 219 tonnes saw a growth of 11% over the previous year at 196 tonnes. Industrial Product sales were of the value of ₹115 crore in 2010-11 recording a growth of 17% over previous year.



Shri Srikant Jena, Hon'ble Minister of State (C&F) speaking at the foundation stone laying ceremony of Soil Testing Lab at Balasore, Odisha.

Company sold 0.50 lakh tonnes of imported Murate of Potash (MOP). It has also ventured into trading of certified seeds and sold 5502 tonnes of wheat, soyabean and paddy seeds with a turnover of ₹ 9.07 crore. Company also sold mycorrhiza and compost. In agro-chemicals, the Company saw a turnover of ₹ 1.03 crore and efforts are being made for trading of Zinc Sulphate and Ventonite Sulphur.

Company signed an MoU with M/s PT PUPUK SRIWIDJAJA, an Indonesian firm regarding procurement of around 3 lakh tonnes of Urea and 2.50 lakh tonnes of NPK per annum for a period of two years.

The Company undertook various Agriculture extension activities during the year. Krishi melas, exhibitions, Crop Seminars, Farmers' & Dealers' Training Programmes and study tours were organized to disseminate information regarding improved farm technology and establish direct communication with the farmers as also to educate the farmers on the balanced use of fertilizer and its timely application besides providing guidance on pesticides and fungicides. Under orientation programmes for dealers/retailers and farmers on balanced fertilization to optimize crop productivity, a total of 2045 dealers/retailers and 5351 farmers were covered during the year. The Company undertook 409 block and frontline demonstrations and 182 R&D trials on different crops in different areas. During the year, 17520 farmers were trained and 59,970 soil samples were tested, and analyzed. The Company participated in 42 Krishi Melas and Exhibitions. During the year, 15 'Krishi Sewa Kendras' were set-up and 27 solar lights distributed. Company is establishing a Soil Testing Laboratory at Balasore, Odisha at a cost of ₹ 70 lakhs under the National Project on Soil Health and Fertility of Govt. of India. The Company has 4 mobile and 5 static Soil Testing Laboratories. The Laboratories are used for Soil Testing and analysis to make balanced use of fertilizers by the farming community.

Modernization and Expansion Projects

With a view to consolidate its position as a market leader in Urea, projects of about ₹ 4700 crore are at various stages of implementation in Company's various plants. The major ongoing schemes are:

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

The Company has undertaken revamp of fuel-oil based plants at Panipat, Bathinda & Nangal for change over of feedstock from Fuel-oil to Natural Gas. These projects involve a total investment of ₹ 4066 crore and a completion period of 36 months from the Zero date i.e. 29th January 2010. These projects are being implemented on lumpsum turn key (LSTK) basis. Panipat and Bathinda projects are being implemented by M/s. Larsen & Toubro (L&T) with process licence from M/s. Halder Topsoe. Nangal Project is being implemented by consortium of M/s. Tecnimont SPA Italy and M/s. Technimont ICB, Mumbai with process licence from KBR. M/s. Project & Development India Limited (PDIL) has been engaged as Project Management Consultant for all these three projects. The projects are on schedule.

❖ **Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur**

The Company has undertaken Capacity augmentation of Ammonia & Urea plants at Vijaipur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant at an investment of around ₹650 crore. The total urea capacity of Vijaipur units after commissioning of the project shall be 20.66 lakh tonnes per annum against 17.29 lakh tonnes per annum at present. Capacity Augmentation of Ammonia & Urea shall be completed by November, 2011 and the CDR Plant shall be commissioned by June, 2012.

Human Resource Management

The Company has always believed that human resource is its most important asset and continues to work for its development and realisation of its potential. To achieve growth and to foster motivational climate, several initiatives were taken up during the year. Modified Performance Related Pay Scheme for Executives and Non-Executives has been implemented and Group Productivity Allowance Scheme has also been introduced. The Company has introduced Employees Economic & Social Rehabilitation Scheme, which protects the welfare of the family in case of demise/permanent disablement of employee during service. A new Pension Scheme for the benefit of employees is also in the process of implementation.

During the year, to inculcate leadership qualities with high values, moral and ethics in all supervisory staff and managerial cadre, Company achieved 8781 and 11802 man days training for Executives and Non-Executives, respectively by deputing employees for external and in-house programmes. Manpower strength of the company as on 31.03.2011 was 4596 comprising of 1877 Executives and 2719 Non-executives.

The Employer-Employee relationship continued to be harmonious during the year. There was no loss of production due to any adverse IR situation. The schemes for employees' participation in Management continue to function successfully. There were continuous interactions between the Management and employees' representatives on various issues keeping in view the best interest of employees and the Company.

The Company continues to make efforts for improving employees' health, well-being and welfare and has taken steps for providing recreation, education and general welfare of employees.

Implementation of Official Language

The Company is making all efforts to ensure the implementation of Official Language policy of the Government of India. The targets fixed in the Annual Programme issued by the Department of Official Language, Government of India have been achieved. A number of workshops, competitions and pakhwaras were organized to encourage employees to work in Hindi. Information Technology is being widely used to promote the official language in the offices. The Company continued to win awards in implementing the National Language. Panipat Unit received Raj Bhasha Shield in Hindi Language from 'Nagar Rajbhasha Kaarynvan Samiti' Panipat for 2009.



Shri Rajendra Agarwal, M.P., Hon'ble Convenor of the First Sub Committee of Committee of Parliament on Official Language, is handing over compilation of orders of the President of India on Official Language to Shri Satish Chandra, C&MD, NFL

Awards & Accolades

Your Company excelled in performance in various areas, which got recognition from various quarters during the year. The company has received "Excellent" rating for the MoU 2009-10 which is tenth excellent rating in a row.

Company has won the following prestigious awards during 2010-11:-

- ❖ ICWAI Award 2009 for excellence in cost management for Bathinda Unit.
- ❖ National Safety Award 2008 for accident free year and lowest average frequency rate from Ministry of Labour and Employment, New Delhi and Prashansa Patra National Safety Award 2009 from National Safety Council for Vijaipur Unit.
- ❖ Safety Award Suraksha Puraskar from National Safety Council of India for the year 2009 for Panipat Unit.

Environment Management

The Company accords highest priority to Industrial Safety, Ecology & Pollution Control and has adopted 3R's approach i.e. reduce, reuse, recycle in an effort to have zero effluent discharge plants. Company has adopted an extensive afforestation programme. All the statutory standards are met by respective units.

Silo system for collecting fly ash from ESP Hoppers using dense phase pneumatic conveying system has been installed at Panipat, Bathinda and Nangal Units for evacuation of ash from the plants. This has helped to contain the ecological concerns in fly ash disposal.

All the Units are ISO 9001-2000 certified for Quality Management System, ISO-14001 certified for Environment Management System and have received OHSAS-18001 certification for occupational health and safety management system.

Company is putting up a Carbon Dioxide Recovery Plant of 450 MTPD capacity for recovery of carbon dioxide from Flue Gases of primary reformer at Vijaipur. This will help in reduction of discharge of greenhouse gases.

Information Technology

The Company is making use of information technology in its business functions. A consultant has been appointed to provide advisory services on implementation of Enterprise Resource Planning. A preliminary report including ERP strategy, road map and cost benefit analysis on ERP implementation has already been received.

On IT infrastructure front, the Company has provided wide Local Area Network (LAN) at all the units and offices for integration of local computers and servers, a MPLS based Virtual Private Network (Wide Area Network) to provide a secured and scalable connectivity amongst Corporate Office, Units and Marketing Offices. IP enabled services like email, internet browsing, FTP Server, etc. has been provided to the employees. Field Staff of Marketing Division have been provided with high-speed data cards/broadband connections. The Company is extensively using the facility of e-procurement, e-payment and e-receipt for bringing efficiency and transparency in the business system. DSLAMs/ ADSL Routers have been provided at the Units for LAN connectivity to remote locations through internal exchanges.

Corporate Social Responsibility

The Company is committed towards up-liftment of under privileged Section of the Society and has supported various social and community initiatives touching the lives of large number of people. The Company has identified CSR activities in economic, environmental, health and social areas and had earmarked ₹3 crores towards CSR activities during the financial year 2010-11. Separate budgets and achievement targets have been fixed for each CSR initiative. The unspent budget from 2010-2011 has been carried forward to the next financial year.

Roadmap was developed to undertake integrated development of 9 villages situated in the vicinity of our Plants/Offices. Baseline survey has been completed in all the Units/ Offices of the Company. Activities identified under CSR like digging of tube well for supplying of potable water, laying pipelines for distribution of water, Construction of concrete approach roads, Anganwadies, kitchen sheds, toilets, overhead water tanks, carrying out various civil jobs in nearby villages, construction of boundary wall, Preparation of Volley ball play ground, installation of submersible tube well, procurement of furniture for distribution in nearby schools etc. are under progress.

Action to line up a contract to construct a Multipurpose Women Empowerment Centre on Panchayat land of Nangal Unit, appointment of agencies for imparting vocational training / stitching training to women in nearby villages is also under process.

17 nos. Solar Street Lights have been installed in Village Sivian, Bathinda. Further, procurement of 35 nos. of solar lights for installation in nearby villages is under process.

100519 saplings have been planted during the year in the vicinity of Company's plants and units. Company's manufacturing units at Vijaipur, Panipat, Bathinda and Nangal also carried out various useful activities for the benefit of socially and economically weaker sections of the society in the surrounding areas of the respective unit. Health awareness Programmes/Medical Camps were organized. In addition, financial aid, ceiling fans, sewing machines etc. were also provided to the poor and needy persons of nearby villages.

In addition, Company extended financial assistance to Bitnoti College, Orissa for construction of one Auditorium-cum-Gallery Class Room. Mayurbhanj is a tribal dominated backward district of Odisha. The objective of construction of auditorium is to prepare students of backward tribal areas to face the competitive world by developing their presentation skills, public speaking and entrepreneurship.

Balasore is a tribal dominated backward district of Orissa and Utkal Bal Ashram is one of the oldest and reputed orphanage of Balasore. This Ashram was established in the year 1944 and has been rendering valuable services to about 250 orphan children. Company is extending a contribution for construction and renovation of Utkal Bal Ashram.

As in the past, the Company continued to facilitate the farming community in improving the crop productivity. The Company also continued its efforts to improve the living standard of socio-economically weaker sections of the society.

The Right to Information Act 2005

In consonance with the provisions of the Right to Information Act, 2005, Company has taken requisite measures and appointed Appellate Authorities/Public Information Officers/ Asstt. Public Information Officers at all the Units/Offices of the Company in order to respond effectively to the requests of the applicants under the Act. The Act aims at bringing out transparency in the functioning of organizations and the Company has created necessary mechanism to meet the objective.

Vigilance

Vigilance Division endeavored for evolving and effectively implementing preventive techniques including transparency, accountability, fair play, objectivity and timely response in dealing with matters relating to public administration.

All systems and processes for deliverance of services are being synchronized through use of technology like effecting e-payments to vendors, e-receipts, publishing complete details of tenders on website, e-procurement, reverse auction, etc.



Shri Ajoy Kumar, IAS, CVO, chairing Vigilance Meet.

To impart proper training to the employees, yearly calendar was prepared for organizing training programmes/workshops. Special emphasis was laid by organizing workshops on leveraging technology and disciplinary matters through external faculties. Vigilance Awareness Week was observed at all Units/Offices involving all employees to create an environment of ethical growth in the organization.

Management Discussion & Analysis Report

Management Discussion and Analysis Report covering the operations and future prospects of the company is at Annexure-I.

Statutory Auditors & Statutory Auditors Report

M/s. S.P. Chopra & Co. and M/s. DSP & Associates, Chartered Accountants, were appointed as Joint Auditors for the financial year 2010-11 by the Comptroller & Auditor General of India. The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2011 is at Annexure-II.

The Comptroller & Auditor General of India (CAG) has given Nil comments on the accounts of the Company for the year ended 31st March, 2011. under Section 619(4) of the Companies Act, 1956. A copy of the comments is at Annexure-III.

Cost Audit

As prescribed under the Cost Accounting Records (Report) Rules, 2001, the cost accounting records are being maintained by all the Units of the Company. Cost Audit for 2010-11 has been completed.

The Cost Audit Reports for the financial year 2009-10 in respect of the units was filed as follows:-

Unit	Date of filing of Report
Nangal	18.8.2010
Bathinda	18.8.2010
Vijaipur I	19.8.2010
Vijaipur II	19.8.2010
Panipat	25.8.2010

Corporate Governance

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

Report on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

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

Statistical information on employees belonging to Scheduled Castes/Scheduled Tribes Categories

The information with regard to the employees belonging to Scheduled Castes / Scheduled Tribes is annexed at Annexure-VI.

Particulars of employees

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

Directors' Responsibility Statement

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

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departure have been made therefrom by the Company;
- the Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2010-11 and of the profit of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors have prepared the Annual Accounts on a going concern basis.

Board of Directors

The position with regard to the Board of Directors since the last report is as follows:-

Shri Sudhir Bhargava ceased to be Director w.e.f. 3rd May, 2010.

Shri Deepak Singhal, Joint Secretary, Department of Fertilizers joined as a Director w.e.f. 27th May, 2010.

Shri Rajesh Kumar Aggarwal, joined as Director (Technical) on 2nd June, 2010.

Shri N.K. Goyal, Shri S.A.T. Rizvi and Dr. S.K. Bhattacharyya ceased to be Directors w.e.f. 29th January, 2011.

Capt. Pavan Kumar Kaul, ex-Executive Director, Container Corporation of India Ltd. has joined as Director (Marketing), w.e.f. 7th February, 2011.

Shri V.K. Sharma ceased to be Director and Chairman & Managing Director w.e.f. 23rd February, 2011.

Shri Deepak Singhal, Joint Secretary, Department of Fertilizers and a Director on the Board of the Company held the additional charge of the position of Chairman & Managing Director from 25th February, 2011 to 17th March, 2011. He ceased to be a Director and Chairman & Managing Director of the Company w.e.f. 17th March, 2011.

Shri Satish Chandra, Joint Secretary, Department of Fertilizers and Director on the Board of the Company has been holding the additional Charge as Chairman & Managing Director since 31st March, 2011.

Shri Munikoti Niranjana Rao, a practicing Chartered Accountant has been appointed as an Independent Director on the Board w.e.f. 6.5.2011.

Board places on record its deep appreciation for the valuable services rendered by Shri Sudhir Bhargava, Shri N.K. Goyal, Shri S.A.T. Rizvi, Dr. S.K. Bhattacharyya, Shri V.K. Sharma and Shri Deepak Singhal during their association with the Company.

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

In accordance with provisions of Section 257 of the Companies Act 1956, a notice has been received for appointment of Shri Munikoti Niranjana Rao as Director at the Annual General Meeting.

Acknowledgements

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

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

For and on behalf of the Board of Directors

(Satish Chandra)
Chairman & Managing Director

Place: New Delhi

Date: 29th July, 2011

Management Discussion & Analysis Report

State of Economy & Industry

The Indian Economy has emerged with remarkable rapidity from the slow down caused by the global financial crisis of 2007-09. India continues to remain amongst the fastest growing economies of the world with a projected growth of 8-9%. The growth has been broad based with a rebound in Agriculture Sector with estimated growth of around 5.4%. Manufacturing and services sector registered impressive gains. However, food inflation, higher commodity prices and volatility in global commodity markets have been a cause of concern. Though, downside risks of global events, particularly movement in prices of commodities like crude oil remain, the Indian economy is poised to further improve and consolidate.

Indian fertilizer sector witnessed a sustained high growth in consumption for the past few years. During 2010-11 total nutrient consumption touched 26.5 million tonnes recording an increase of 6.3% over the previous year. Against the background of sustained high growth in consumption, the growth in indigenous production was stagnant during the decade 2000-01 to 2008-09. Production of 'N' increased from 10.900 million tonnes in 2009-10 to 11.924 million tonnes in 2010-11.

To sustain a high growth in agriculture in future, there is need for adequate availability of fertilizer across the country. The government has taken a number of initiatives in the recent years for promoting balanced fertilization to accelerate agricultural growth. These include policy for customized, coated and fortified fertilizers. The government policy is to unshackle the fertilizer sector in a phased manner. NBS has been implemented for P&K fertilizers w.e.f. 1st April, 2010, SSP has also been brought under NBS w.e.f. 1st May 2010. The full benefit of the above initiatives of the Government will accrue, once urea is also brought under NBS.

The New Investment Policy for urea sector notified on 4th September, 2008 has not attracted any fresh investment in the sector. Notwithstanding Fertilizer industry being bench mark as one of the best in the world in terms of energy efficiency, safety and environment measures, no new investment came in the fertilizer sector since 2000 as the policies were not conducive for investment. With the upsurge in the prices of fertilizers in the international market, augmenting the domestic capacity of fertilizer is essentially required. Remunerative investment Policy and firm allocation of gas shall give fillip to investment in the country. The Union Budget for 2011-12 proposal to accord infrastructure status to investments in fertilizer production is a major breakthrough in policy towards attraction of investment in the fertilizer sector. The budget has not addressed the main concern of the fertilizer industry of steep increase in the cost of inputs.

Business Organization

Company is mainly in the business of production and marketing of urea. It has five Urea plants, one each at Nangal and Bathinda (Punjab), one at Panipat (Haryana) and two at Vijaipur (Madhya Pradesh). Company deals in various Industrial Products. Urea accounts for major part of the turnover. Company has also a 100 tonnes p.a. bio-fertilizers Plant at Vijaipur, where three strains of bio-fertilizers namely Phosphate Solubilising Bacteria (PSB), Rhizobium and Azotobacter are produced. Company also markets certified seeds, compost, Mycorrhiza, and imported Muriate of Potash (MoP).

Company has an extensive marketing network spread with significant presence in Northern and Central India.

NFL is the second largest producer of urea in the country with a share of 15.4% of total urea production.

Opportunities

Changeover of Feedstock Projects from Fuel-oil to Gas at Nangal, Panipat and Bathinda units taken up for execution in 2009-10 are expected to be commissioned in 2012-13. After commissioning of these projects, cost of production of urea from these units shall become competitive in the market. Further, Company has undertaken capacity augmentation of urea projects at Vijaipur to consolidate its position as a market leader in urea.

NFL is the first fertilizer manufacturer in the country, which has developed the technique for coating of normal prilled Urea with neem oil on large scale. Government has notified policy for encouraging production and availability of fortified and coated fertilizers. Due to wider acceptability of Neem Coated Urea in the market, there is an opportunity to augment the production of neem coated urea in terms of above policy.

With the implementation of Nutrient Based Subsidy (NBS) from 01.04.2010 for P&K fertilizers, company has undertaken trading of imported P&K fertilizers.

Company has a well knit marketing set-up and dealers network. Marketing of agro-inputs like seeds and compost can be undertaken, on large scale.

Company has been producing and marketing a number of industrial products and is exploring the opportunity to expand further in that sector.

Threats

The Company primarily has a single nutrient product base i.e. Urea. Increasing input costs of feed-stock i.e. Fuel-Oil/Natural Gas has raised the cost of production of Urea and Industrial Products. Globalized competitive scenario coupled with reducing trend of import duties and dumping at low price may affect the sale and margins on industrial products being manufactured by the Company. (However, with the commissioning of changeover of fuel based projects, cost of production of urea and industrial products shall get reduced considerably).

The acreage under food production is declining because of depletion in water levels. Dependence on Monsoons is increasing. Scanty rains because of Monsoon failures affects the urea off takes in the market area.

Risks & Concerns Management perceives

The steep rise in cost of inputs.

Positioning for the future

- (a) Projects: Agriculture sector will continue to remain vital for Indian economy. The contribution of fertilizers in increasing the production and productivity of Indian agriculture especially food-grains is undisputed. Considering the opportunities available, Company has undertaken the following initiatives:

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

Company has undertaken revamp of fuel-oil based plants at Panipat, Bathinda & Nangal for change over of feedstock from FO/LSHS to NG/RLNG. These projects involve a total investment of ₹ 4066 crores and a completion period of 36 months from the Zero date i.e. 29th January 2010. Panipat and Bathinda projects are being implemented by M/s. Larsen & Toubro (L&T) with process licence from M/s. Halder Topsoe. Nangal Project is being implemented by consortium of M/s. Tecnimont SPA Italy and M/s. Technimont ICB, Mumbai with process licence from KBR. M/s. Project & Development India Limited (PDIL) has been engaged as Project Management Consultant for all these three projects. The projects are on schedule

❖ **Urea Capacity Augmentation & Energy Saving Project (ESP) at Vijaipur**

The Company has undertaken Capacity Augmentation of Ammonia & Urea plants at Vijaipur-I & II units including installation of Carbon Dioxide Recovery (CDR) plant at an investment of around ₹650 crore. The total urea capacity of Vijaipur units after commissioning of the project shall be 20.66 lakh tonnes per annum against the existing capacity of 17.29 lakh tonnes per annum. Capacity Augmentation of Ammonia & Urea shall be completed by November, 2011 and the CDR Plant shall be commissioned by June, 2012.

❖ **Joint Venture with SAIL**

Company is exploring for entering into a joint venture with Steel Authority of India Ltd. (SAIL) for setting up of 1.15 million tonne urea plant at Sindri.

❖ **Joint Venture with M/s. Engineers India Limited (EIL)**

Empowered Committee of Secretaries of the Government of India has proposed a consortium of NFL and EIL to form a joint venture to set up a urea plant at Ramagundam for its revival. The discussions are being held with EIL to assess the feasibility of the project.

(b) Marketing:

❖ **Sale of other fertilizers**

The present market is very competitive and in view of the globalization scenario and to exploit the opportunities in the Nutrient Based Subsidy (NBS) regime, a dedicated team has been formed. Company intends to make use of New Fertilizer Policy by entering into customized fertilizers. Company has been planning for imports of fertilizers like MoP, DAP for trading through its distribution network. Accordingly, contracts are being planned for import of other fertilizers like DAP, Complex Fertilizers. Company is also exploring to add Single Super Phosphate fertilizer in its product range.

❖ **Bio-fertilizers**

Company has been marketing special fungus based Bio-fertilizer 'Mycorrhiza' under the brand name of "Kisan Mycorrhiza", which increases the root growth and improves soil structures to provide vital nutrition to the plant.



Liquid Bio-Fertilizers developed and marketed by NFL

❖ **Seeds**

Company has been producing foundation and certified seeds in a pilot projects at selected farmer fields in adopted villages, which can pave the way for seed production on a commercial scale. Company has already initiated action to set up its own Seed Processing Plant at Indore to provide good quality seed of various High Yielding Variety (HYV) crops under its own brand. Company has also taken up Seeds Multiplication Programmes for Paddy and Soyabean breeder/foundation seeds on agricultural land and has entered into an agreement with State Farms Corporation of India Limited (SFCI) for supply of certified seeds i.e. Paddy, Hybrid Paddy, Soyabean during Kharif 2011. Company has also entered into an agreement with Hindustan Insecticides Limited for trading of pesticides.

❖ **Promotion of balanced use of fertilizers**

During the last three decades, the Company has been working closely with farming community by ensuring supply of quality fertilizers and other agri-inputs. Company believes in marketing its products

and services through extensive field demonstrations coupled with an effort to build relationships with the end users, the farmers. This has helped to make its brand "Kisan Urea" a household name.

Company undertook 409 block and frontline demonstrations. 17520 farmers were trained and 57700 soil samples were tested and analysed. Company also participated in 42 krishi melas and exhibitions.

❖ **Business alliance with Bharat Sanchar Nigam Limited (BSNL)**

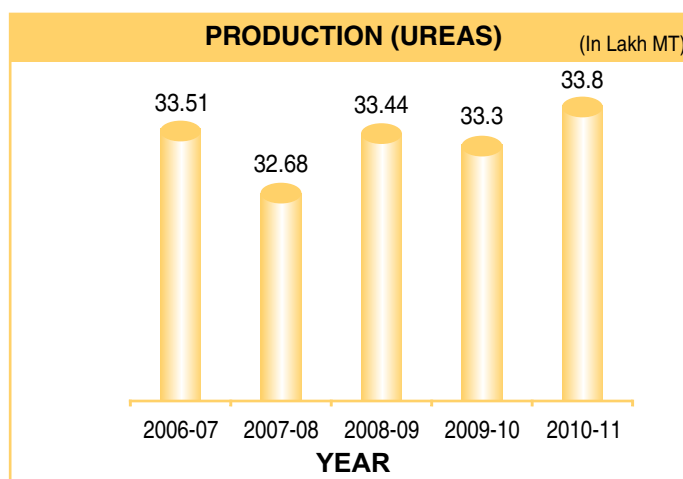
Company has entered into a strategic Business Alliance with Bharat Sanchar Nigam Limited (BSNL) to market their products viz. Recharge Coupons, Mobile connections, Landline connections and Broadband internet facility etc. through its dealer network.

- (c) **Joint Venture:** Company signed MoU with M/s. KRIBHCO and RCF in January 2008 to form a Joint Venture Company with the name "Urvarak Videsh Limited" to explore investment opportunities abroad and within the country in nitrogenous, phosphatic and potassic sectors and to render consultancy services for setting up projects in India and abroad.

Review of Performance of the Company

Production Review

During the year, Company produced 33.80 lakh tonnes of Urea (104.06% of installed capacity), including 1.49 lakh tonnes of additional production from Vijaipur Plants, compared to 33.30 lakh tonnes in the previous year. Vijaipur units achieved ever-best yearly production of Urea and Ammonia at 18.78 lakh tonnes and 10.92 lakh tonnes respectively, which was 108.6% and 108.8 % of installed capacity. The three Fuel oil based plants achieved 100% capacity utilization on cumulative basis. The production beyond 100% capacity utilization in Fuel Oil based plants is not economically viable in terms of Pricing Policy of Urea. The company achieved ever-best Bio-Fertilizers production of 231 tonnes during the year against earlier best production of 226 tonnes in 2009-10. Ever best



lower energy consumption of 9.446 Gcal/tonne of urea was achieved at Nangal during 2010-11 surpassing the previous best lowest energy consumption of 9.505 Gcal/tonne of urea in 2008-09. The percentage share of NFL in urea production in the country has been at 15.4%. Company has also started the production of foundation and certified seeds under a pilot project.

Marketing Review

Company sold 33.59 lakh tonnes of Urea against 33.78 lakh tonnes in the previous year. The sales turnover for the year including subsidy was ₹5791 crore against ₹5091 crore in the previous year. Bio-fertilizers sales saw a growth of 11% over the previous year. Company sold 219 MT of Bio-fertilizers during the year as compared to 196 MT in corresponding period of the previous year. Industrial Product sales were of the value of ₹115 crore in 2010-11 recording a growth of 17% from ₹98 crores in the previous year.

Company imported and sold 0.50 lakh MT of MoP. It also marketed 5502 MT of wheat, soyabean and paddy seeds with a turnover of ₹9.07 crores. Company sold 102 MT mycorrhiza and 648 MT compost. In agro-chemicals, the Company saw a turnover of ₹1.03 crore.

Human Resource

The Company has always believed that human resource is its most important asset and continues to work for its development and realisation of its potential. To achieve growth and to foster motivational climate, several initiatives were taken up during the year. Performance Related Pay Scheme has been finalized and Group Productivity Allowance Scheme has also been introduced. The Company has introduced Employees Economic & Social Rehabilitation Scheme which protects the Welfare of the family in case of demise/permanent disablement of employee during service. A new Pension Scheme for the benefit of employees is also in the process of finalization.

During the year, to boost moral and inculcate leadership qualities with high values, moral and ethics in all supervisory staff and managerial cadre, Company achieved 8781 and 11802 man days training for Executives and Non-Executives, respectively by deputing employees for external and in-house programmes organized. Manpower strength of the company as on 31.03.2011 was 4596 comprising of 1877 Executives and 2719 Non-executives.

The Employer-Employee relationship continued to be cordial during the year. There was no loss of production due to any adverse IR situation. The schemes for employees' participation in Management continue to function successfully. There were continuous interactions between the Management and employees' representatives on various issues keeping in view the best interest of employees and the Company.

The Company continues to make efforts for improving employees' health, well-being and welfare and has taken steps for providing recreation, education and general welfare of employees.

Review of Financial Performance

During the year, Company achieved turnover of ₹ 5791 crore. The profit before tax was ₹ 203.92 crore (previous year ₹ 259.95 crore) and profit after tax was ₹ 138.50 crore (previous year ₹ 171.51 crore). During the year the interest expenses decreased to ₹ 9.15 crore (previous year ₹ 10.96 crore) due to timely receipt of subsidy. The total borrowing of the company as on 31st March 2011 stood at ₹ 613.06 crore against ₹ 403.16 crore as on 31st March, 2010. Debt Equity Ratio as on 31.03.2011 is 0.37:1 as compared to 0.25:1 as on 31.03.2010.

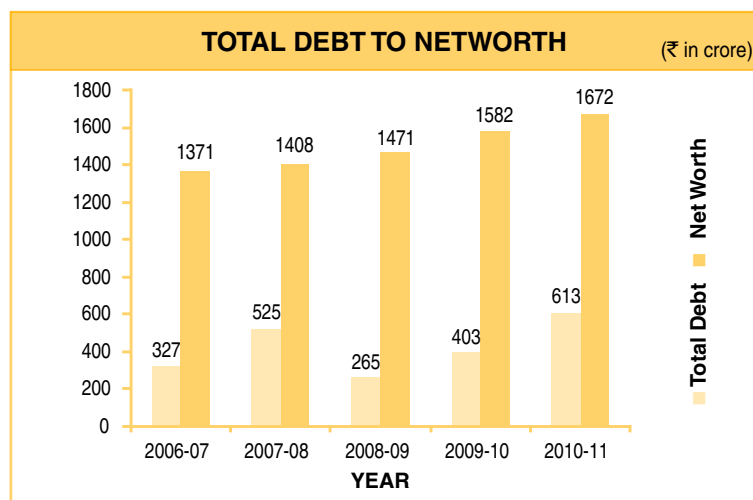
Analysis of the Financial Performance of the Company:

(a) Turnover

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Sales Turnover (Net)	5791.03	5092.28	13.72

The increase in sales turnover is mainly due to increase in subsidy on account of increase in prices of petroleum products i.e. fuel oil (20%) at FO based units and revision in the price of APM Gas at Vijaipur w.e.f. 1st July, 2010.



(b) Interest Earned

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Interest earned - Bonds	2.71	20.43	(87)
Others (Term deposit etc.)	8.11	10.18	(20)
TOTAL	10.82	30.61	(65)

The decrease in interest income is on account of lower interest income earned on Fertilizer Bonds as the bonds for face value of ₹125 crore were sold during the year. No new bonds were issued by the Government of India during the year.

(c) Other Income

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Other Income (Rent, profit on sale of assets, misc. income etc.)	35.30	26.07	35

The increase in the other income is mainly due to increase in misc. income during the year.

(d) Consumption of Raw Materials

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Raw Materials Consumed	3292.35	2611.72	26

The increase in consumption of raw materials is mainly on account of increase in prices of petroleum products i.e. fuel oil (20%) and revision in the price of APM Gas w.e.f. 1st July, 2010.

(e) Consumption of Stores & spares including Repairs & Maintenance

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Stores and Spares Consumed	24.66	31.39	(21)
Repairs and Maintenance	74.20	76.57	(3)
Total	98.86	107.96	(8)

The decrease in stores & spares consumption and Repair & Maintenance as compared to previous year is mainly due to replacement of catalyst at Vijaipur in the previous year.

(f) Employees Remuneration & Benefits

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Employee Remuneration & Benefits	386.96	349.52	11

The increase in employee remuneration and benefits is mainly on account of increase in actuarial valuation of retirement benefits and increase in dearness allowance.

(g) Power and Fuel

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Power and Fuel	1248.77	1066.85	17

The increase in consumption of raw materials is mainly on account of increase in prices of petroleum products i.e. fuel oil (20%) and revision in the price of APM Gas w.e.f. 1st July, 2010.

(h) Freight and Handling

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Freight and Handling	245.51	228.68	7

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

(i) Other Expenses

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Other Expenses (including past period adjustments)	111.71	110.04	2

There is a marginal increase in other expenses mainly on account of increase in water and insurance charges.

Financial Status

(a) Fixed Assets

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Gross Block	2929.54	2924.04	-
Less: Depreciation	2330.53	2258.24	3
Net Block	599.01	665.80	(10)
Capital Work in Progress	654.15	29.20	2140

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

(b) Investments

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Investments (Net of Provisions)	-	121.80	(100)

Reduction in investment is on account of disposal of Government of India Fertilizer Bonds during the year.

(c) Inventories

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Raw Materials	118.09	141.16	(16)
Stores and Spares (including packing material)	158.69	161.51	(2)
Semi finished / finished products	86.36	44.45	94
Total	363.14	347.12	5

There is marginal increase in total inventories due to increase in finished/semi-finished inventory primarily due to increase in stock of urea arising out of limitation of railway wagons at Vijaipur.

(d) Sundry Debtors

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Gross Debtors - FICC	1497.37	871.23	72
- Others	116.72	61.48	90
Less: Provision for Doubtful Debts	12.83	12.16	6
Net Debtors	1601.26	920.55	74

The increase in net debtors is mainly due to receivables from FICC for reimbursement in increase of the price of inputs.

(e) Loans and Advances

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Loans and Advances	121.38	121.90	-

(f) Current Liabilities and Provisions

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Current Liabilities	771.10	578.53	33
Provisions (Gratuity, accrued leave, other Employee Benefit Scheme etc.)	226.78	214.94	6
Total Current Liabilities and Provisions	997.88	793.47	26

The increase in current liabilities is mainly on account of increase in year end liability towards sundry creditors for raw materials and increase in provisions is due to actuarial valuation of employees benefit scheme.

(g) Secured and unsecured Loans

(₹ in crore)

	FY 2010-11	FY 2009-10	Change (%)
Secured Loans	493.84	233.16	112
Unsecured Loans	119.22	170.00	(30)
Total Loans	613.06	403.16	52

The increase in secured loans is due to Rupee Term Loan and Buyer's Credit facility taken for financing the projects of changeover of feedstock at Nangal, Bathinda and Panipat units and Energy Saving and Urea capacity enhancement at Vijaipur respectively.

Internal Controls

The Company has put in place adequate internal control measures in all areas. These measures are in the form of manuals and procedures, covering all critical and important activities viz. Budget, Purchase, Material, Stores, Works, Finance, Personnel, etc. These manuals and procedures are updated from time to time and are subject to strict compliance, which is monitored by Internal Audit. Company has an internal audit set up empowered to examine the adequacy and compliance with policies, plans and statutory requirements. Continuous audit and verification of the systems enables to plug any shortcomings. The Internal Audit of all manufacturing units, Corporate Office and Marketing Division including Industrial Products have been assigned to external audit firms. Audit Committee and Management periodically reviews the functioning of internal audit and adequacy of internal control system.

Cautionary Statement

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

ANNUAL ACCOUNTS

2010-2011

BALANCE SHEET AS AT 31st MARCH, 2011

(₹ in Crore)

	Schedule No.	As at 31 st March, 2011		As at 31 st March, 2010	
<u>SOURCES OF FUNDS</u>					
Shareholders' Funds					
Capital	1.1	490.58		490.58	
Reserves and Surplus	1.2	<u>1181.60</u>	1672.18	<u>1091.56</u>	1582.14
Loan Funds					
Secured Loans	1.3	493.84		233.16	
Unsecured Loans	1.4	<u>119.22</u>	613.06	<u>170.00</u>	403.16
Deferred Tax Liability (Net)			85.28		119.60
			<u>2370.52</u>		<u>2104.90</u>
<u>APPLICATION OF FUNDS</u>					
Fixed Assets	1.5				
Gross Block		2929.54		2924.04	
Less: Depreciation/Amortization		<u>2330.53</u>		<u>2258.24</u>	
Net Block		599.01		665.80	
Capital Work-in-Progress	1.6	654.15	1253.16	29.20	695.00
Investments	1.7		-		121.80
Current Assets, Loans and Advances:					
Current assets					
Interest accrued on Investments		-		1.19	
Inventories	1.8	363.14		347.12	
Sundry Debtors	1.9	1601.26		920.55	
Cash and Bank Balances	1.10	29.44		690.81	
Loans and Advances	1.11	<u>121.38</u>		<u>121.90</u>	
		2115.22		2081.57	
Less : Current Liabilities and Provisions					
Current Liabilities	1.12	771.08		578.53	
Provisions	1.13	<u>226.78</u>		<u>214.94</u>	
		997.86		793.47	
Net Current Assets			1117.36		1288.10
			<u>2370.52</u>		<u>2104.90</u>

Significant Accounting Policies and Notes on Accounts 3
Schedules referred to above form integral part of the Balance Sheet

For and on behalf of the Board of Directors

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

For S.P. CHOPRA & CO.
CHARTERED ACCOUNTANTS

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS

ANKUR GOYAL
PARTNER
(M. No. 99143)

ATUL JAIN
PARTNER
(M.No. 91431)

Place: New Delhi
Date: 30th May, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in Crore)

	Schedule No.	Year ended 31 st March, 2011	Year ended 31 st March, 2010
INCOME			
Sales		1886.26	1704.61
Less : Excise Duty		13.00	8.28
Subsidy		3917.77	3395.95
Interest earned	2.1	10.82	30.61
Other Income	2.2	35.30	26.07
		5837.15	5148.96
EXPENDITURE			
Increase ()/Decrease in stocks	2.3	(41.28)	75.71
Purchase of Products for resale		107.42	153.71
Materials Consumed	2.4	3401.90	2723.22
Employees' Remuneration and Benefits	2.5	386.96	349.52
Power and Fuel	2.6	1248.77	1066.85
Freight and Handling		245.51	228.68
Repairs and Maintenance	2.7	74.20	76.57
Other Expenses	2.8	111.64	110.09
Interest and Finance Charges	2.9	9.15	10.96
Depreciation / Amortization		88.90	93.75
		5633.17	4889.06
Profit for the year		203.98	259.90
Prior Period Adjustments (Net)	2.10	(0.06)	0.05
Profit before Tax		203.92	259.95
Less: Provision for Taxation			
Current		99.64	84.12
Deferred		(34.29)	4.53
Earlier years'		0.07	(0.21)
Profit after Tax		138.50	171.51
Balance brought forward from previous year		792.78	698.49
Profit available for appropriation		931.28	870.00
Appropriations			
Proposed Dividend		41.70	51.51
Tax on Proposed Dividend		6.76	8.56
Amount transferred to General Reserve		13.85	17.15
Balance carried to Balance Sheet		868.97	792.78
		931.28	870.00
Earning per Share			
Profit after Tax		138.50	171.51
Average Number of Equity shares		490578400	490578400
Face value per share (₹)		10	10
Basic and Diluted Earnings per share (₹)		2.82	3.50

Significant Accounting Policies and Notes on Accounts 3

Schedules referred to above form integral part of the Profit & Loss Account

For and on behalf of the Board of Directors

TEK CHAND COMPANY SECRETARY	NEERU ABROL DIRECTOR (FINANCE)	SATISH CHANDRA CHAIRMAN & MANAGING DIRECTOR
As per our report of even date attached		
(₹ in Crore)		
For S.P. CHOPRA & CO. CHARTERED ACCOUNTANTS	For DSP & ASSOCIATES CHARTERED ACCOUNTANTS	
ANKUR GOYAL PARTNER (M.No. 99143)	ATUL JAIN PARTNER (M.No. 91431)	

Place: New Delhi
Date: 30th May, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in Crore)

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	203.92	259.95
Adjustments For :		
Depreciation / Amortization	88.90	93.75
Interest (Net)	(1.67)	(19.65)
Loss on Sale of Fixed Assets	0.02	0.03
Exchange Rate Variation (Net)	(1.92)	(1.72)
Provision for Diminution in Value of Investments	0.03	3.35
Loss on Sale of Investment	1.14	-
Provision for Doubtful Debts/ Advances	4.92	(0.18)
Provision for Obsolete/Surplus Stores	(0.29)	(0.06)
Liabilities / Provisions no longer required written back	(3.84)	(2.54)
Stores and Spares write offs	4.28	4.20
Assets written off	0.82	0.42
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	296.31	337.55
Adjustments For :		
Trade and Other Receivables	(676.04)	22.22
Inventories	(20.01)	(2.58)
Trade Payables & Others	221.76	(117.10)
Direct Taxes paid	(107.62)	(80.91)
NET CASH FROM OPERATING ACTIVITIES	(285.60)	159.18
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (including CWIP)	(649.59)	(37.34)
Purchase of Investments	(0.03)	(0.10)
Sale of Investments	120.66	337.92
Fixed Assets Sold/Discarded	1.69	0.04
Interest Received	10.82	30.61
NET CASH FROM INVESTING ACTIVITIES	(516.45)	331.13
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Working Capital Borrowings	110.68	168.29
Long Term Loans	191.22	-
Short Term Loans	(92.00)	(30.00)
Interest Paid	(9.15)	(10.96)
Dividend/Distribution Tax paid	(60.07)	(34.43)
NET CASH FROM FINANCING ACTIVITIES	140.68	92.90
NET INCREASE IN CASH AND CASH EQUIVALENTS	(661.37)	583.21
Cash And Cash Equivalents (Closing Balance)	29.44	690.81
Cash And Cash Equivalents (Opening Balance)	690.81	107.60
NET INCREASE IN CASH AND CASH EQUIVALENTS	(661.37)	583.21
COMPONENTS OF CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		
Cash in hand	0.11	0.10
Cheques in hand / Remittances-in-transit	3.85	7.60
In Current Accounts with scheduled banks	25.48	4.83
In Term Deposits with scheduled banks	-	678.28
	29.44	690.81

For and on behalf of the Board of Directors

TEK CHAND
COMPANY SECRETARY

NEERU ABROL
DIRECTOR (FINANCE)

SATISH CHANDRA
CHAIRMAN & MANAGING DIRECTOR

As per our report of even date attached

For S.P. CHOPRA & CO.
CHARTERED ACCOUNTANTS

For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS

ANKUR GOYAL
PARTNER (M. No. 99143)

ATUL JAIN
PARTNER (M.No. 91431)

Place: New Delhi
Date: 30th May, 2011

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2011

(₹ in Crore)

SCHEDULE 1.1 - CAPITAL

AUTHORISED

100,00,00,000 Equity Shares of ₹ 10 each
(Previous Year 50,00,00,000 Equity Shares of ₹ 10 each)

ISSUED, SUBSCRIBED AND PAID-UP

49,05,78,400* Equity Shares of ₹10 each fully paid up

* Includes 6,88,07,500 Equity Shares allotted for consideration other than in cash.

As at 31 st March, 2011	As at 31 st March, 2010
1000.00	500.00
490.58	490.58
<u>490.58</u>	<u>490.58</u>

(₹ in Crore)

SCHEDULE 1.2 - RESERVES AND SURPLUS

CAPITAL RESERVE

GENERAL RESERVE

As per last Balance Sheet

Add :Transferred from Profit & Loss Account

SURPLUS IN PROFIT & LOSS ACCOUNT

As at 31 st March, 2011	As at 31 st March, 2010
2.51	2.51
296.27	279.12
<u>13.85</u> 310.12	17.15 296.27
868.97	792.78
<u>1181.60</u>	<u>1091.56</u>

SCHEDULE 1.3 - SECURED LOANS

Long Term Loan from Scheduled Banks

Term Loan of ₹3850 crore for Ammonia Feedstock Conversion Projects secured by charge ranking pari-passu inter-se on entire fixed assets, movable and immovable (present & future) related to Nangal, Bathinda & Panipat unit and second charge over the entire current assets of the Company.

Working Capital Loans from Scheduled Banks

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

(₹ in Crore)

As at 31 st March, 2011	As at 31 st March, 2010
150.00	-
343.84	233.16
<u>493.84</u>	<u>233.16</u>

SCHEDULE 1.4 - UNSECURED LOANS

From Scheduled Banks:

Long Term (Foreign Currency)

Short Term

(₹ in Crore)

As at 31 st March, 2011	As at 31 st March, 2010
41.22	-
78.00	170.00
<u>119.22</u>	<u>170.00</u>

SCHEDULE 1.5 - FIXED ASSETS

(₹ in Crore)

DESCRIPTION	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK	
	As at 1 st April, 2010	Additions	Deductions/ Adjustments	As at 31 st March, 2011	As at 1 st April, 2010	For the year	On Deductions / Adjustments	Upto 31 st March, 2011	As at 31 st March, 2011	As at 31 st March, 2010
TANGIBLE ASSETS										
LAND										
- Freehold	9.19	-	-	9.19	-	-	-	-	9.19	9.19
- Leasehold	10.62	2.09	-	12.71	5.20	0.25	-	5.45	7.26	5.42
BUILDINGS										
- on Freehold Land	67.75	0.32	0.10	67.97	42.15	1.10	0.04	43.21	24.76	25.60
- on Leasehold Land	84.46	0.47	-	84.93	33.90	1.78	-	35.68	49.25	50.56
Leasehold Buildings	1.36	-	-	1.36	0.68	0.05	-	0.73	0.63	0.68
Railway Sidings	12.65	-	-	12.65	11.86	0.12	-	11.98	0.67	0.79
Plant and Machinery	2604.44	17.92	15.49	2606.87	2062.00	80.60	14.75	2127.85	479.02	542.44
EDP Equipments	13.68	0.38	1.22	12.84	9.90	1.09	1.16	9.83	3.01	3.78
Electrical Installations	64.10	0.16	-	64.26	48.26	1.99	-	50.25	14.01	15.84
Other Equipments	25.21	1.00	2.15	24.06	17.61	0.87	1.88	16.60	7.46	7.60
Furniture and Fixtures	12.64	0.25	0.06	12.83	10.42	0.54	0.06	10.90	1.93	2.22
Vehicles	2.30	0.45	(0.02)	2.77	1.81	0.21	0.08	1.94	0.83	0.49
INTANGIBLE ASSETS										
(other than internally generated)										
Licence and Know-how	14.14	-	-	14.14	14.14	-	-	14.14	-	-
Computer Software	1.50	0.11	-	1.61	0.31	0.32	-	0.63	0.98	1.19
Sub- Total	2924.04	23.15	19.00	2928.19	2258.24	88.92	17.97	2329.19	599.00	665.80
Assets held for disposal	-	1.51	0.16	1.35	-	-	(1.34)	1.34	0.01	-
Current Year	2924.04	24.66	19.16	2929.54	2258.24	88.92	16.63	2330.53	599.01	665.80
Previous Year	2905.97	25.63	7.56	2924.04	2171.56	93.75	7.07	2258.24	665.80	

NOTES:

- Title/Lease Deed for land acquired at Nangal (₹ 0.93 crore), Vijaipur (₹ 4.36 crore), Bhatinda (₹ 0.15 crore), Building at Scope Complex, New Delhi (₹ 2.07 crore) and Land /Building at Bhopal (₹0.38 crore) are pending execution.
- 325.70 acres of land at Nangal (₹ 0.01 crore) had been symbolically possessed by the Punjab Government on 29.10.1998 without determination of consideration. Though the ownership of the entire land including 325.70 acres vests with the Company, however, the physical possession of 325.70 acres of land is with its erstwhile owners.

Allocation of depreciation :	Current Year	Previous Year
- Charged to Profit & Loss Account	88.90	93.75
- Transferred to Expenditure during construction (Schedule 1.6.1)	0.02	-
Total	88.92	93.75

(₹ in Crore)

SCHEDULE 1.6 - CAPITAL WORK-IN-PROGRESS

Capital Work -in-progress:

	As at 31st March, 2011	As at 31st March, 2010
Buildings	0.30	0.47
Plant and Machinery	370.15	20.48
Capital Stores	109.82	1.71
Advances (Unsecured Considered good) (including backed by bank guarantees ₹126.12 crore)	128.59	0.44
Expenditure during Construction period pending allocation (Schedule 1.6.1)	45.29	6.10
	654.15	29.20

(₹ in Crore)

SCHEDULE 1.6.1- EXPENDITURE DURING CONSTRUCTION (Pending Allocation)

	As at 31st March, 2011	As at 31st March, 2010
Opening Balance	6.10	-
Expenditure during the year:		
Employees' Remuneration & Benefits	4.40	0.43
Power & Fuel	0.43	-
Project Management fee	25.26	5.67
Other Expenses	7.77	-
Depreciation	0.02	-
Interest and Finance charges	1.49	-
	45.47	6.10
Less: Liquidated Damages	0.18	-
Carried over to Schedule 1.6	45.29	6.10

SCHEDULE 1.7 - INVESTMENTS

	Face value per share/bond (₹)	As at 31 st March, 2011 Number	As at 31 st March, 2011 Book value (₹ in Crore)	As at 31 st March, 2010 Number	As at 31 st March, 2010 Book value (₹ in Crore)
A. LONG TERM					
- UNQUOTED					
Joint Venture Company:					
Fully Paid up shares					
- Urvarak Videsh Limited	10	180002	0.18	150002	0.15
Co-operative Societies:					
Fully Paid up shares					
- NFL Employees' Consumer Co-operative Stores	10	1250	*	1250	*
- NFL Employees' Consumer Co-operative Stores	50	100	*	100	*
- Bajaj Bhawan Premises Owners' Co-operative Society Limited	50	10	*	10	*
			0.18		0.15
Less: Provision for diminution in value of investments			0.18		0.15
			*		*
B. CURRENT					
- UNQUOTED					
Investment in Government Securities:					
7.95% Fertilizer Companies GOI Special Bonds, 2026 -		-	-	125000	125.00
			-		125.00
Less: Provision for diminution in value of investments			-		3.20
			-		121.80
			*		121.80

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

(₹ in Crore)

SCHEDULE 1.8 - INVENTORIES
(As certified by the Management)

	As at 31 st March, 2011		As at 31 st March, 2010	
Raw Materials	108.21		127.63	
Add : In-transit	9.88	118.09	13.53	141.16
Packing Materials	5.16		8.54	
Add : In-transit	0.50		1.38	
Less : Provision	0.04	5.62	0.04	9.88
Stores and Spares	141.21		144.67	
Add : In-transit	13.23		8.62	
Less : Provision	1.37	153.07	1.66	151.63
Semi-finished goods	21.89		13.48	
Finished goods	39.69		22.05	
Add : In-transit	24.78	86.36	8.92	44.45
		363.14		347.12

(₹ in Crore)

SCHEDULE 1.9 - SUNDRY DEBTORS

**DEBTS OUTSTANDING FOR
OVER SIX MONTHS**

FICC - Subsidy	17.73		12.73	
Others	12.11	29.84	12.20	24.93

OTHER DEBTS

FICC - Subsidy	1479.64		858.50	
Others	104.61	1584.25	49.28	907.78

Less: Provision for doubtful debts

	12.83		12.16	
	1601.26		920.55	

Particulars

Unsecured - considered good (including debts backed by Bank Guarantees ₹3.23 crores, Previous year: ₹1.03 crores)

	1601.26		920.55	
--	---------	--	--------	--

Unsecured - considered doubtful

	12.83		12.16	
	1614.09		932.71	

(₹ in Crore)

SCHEDULE 1.10 - CASH & BANK BALANCES

	As at 31 st March, 2011	As at 31 st March, 2010
CASH IN HAND	0.11	0.10
CHEQUES IN HAND/REMITTANCES-IN-TRANSIT	3.85	7.60
WITH SCHEDULED BANKS		
• Current Accounts	25.48	4.83
• Term Deposits	-	678.28
	25.48	683.11
	29.44	690.81

(₹ in Crore)

SCHEDULE 1.11 - LOANS AND ADVANCES

	As at 31 st March, 2011	As at 31 st March, 2010
LOANS		
Employees	7.75	7.98
Interest accrued thereon	12.93	13.86
	20.68	21.84
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
Contractors	0.79	0.58
Suppliers	137.39	140.12
Employees	10.14	8.02
Claims Recoverable	11.69	5.53
Balances with Customs and Excise Authorities	0.47	1.18
Tax Refunds	48.35	46.17
Tax (net of provision)	1.52	(4.18)
Security Deposits	5.30	13.70
Fixed Deposit as 'Case Property' (Refer note no. 4 of Schedule 3)	1.32	1.32
Others	19.60	19.24
	257.25	253.52
Less : Provision for doubtful advances	6.23	1.98
Provision for doubtful advances appropriated from Reserves and Surplus (Refer note no. 4 of Schedule 3)	129.64	129.64
	121.38	121.90
Particulars of Loans & Advances		
Secured - considered good	20.68	21.84
Unsecured - considered good	100.70	100.06
Unsecured - considered doubtful	135.87	131.62
	257.25	253.52
Amount due from Directors	-	-
Maximum amount due at any time during the year from Directors	-	-

(₹ in Crore)

SCHEDULE 1.12 - CURRENT LIABILITIES

Sundry Creditors

	As at 31 st March, 2011		As at 31 st March, 2010	
Micro, Small & Medium Enterprises	0.91		0.51	
Others	681.85	682.76	499.21	499.72
Security Deposits		56.34		51.30
Advances from Customers		19.33		19.14
Unpaid dividend*		0.04		0.04
Interest accrued but not due on loans		0.02		0.20
Other Liabilities		12.59		8.13
		771.08		578.53

* Includes interest accrued ₹11,439 (Previous year : ₹24,380). During the year ₹1,16,775 (Previous year: ₹19,079) was paid to the credit of Investor Education and Protection Fund (IEPF). No amount is due for payment to IEPF at the year end.

(₹ in Crore)

SCHEDULE 1.13 - PROVISIONS

Sundry Creditors

	As at 31 st March, 2011		As at 31 st March, 2010	
Employee Defined Benefit Schemes		171.60		148.15
Proposed Dividend		41.70		51.51
Dividend Distribution Tax		6.76		8.56
Local Area Development Tax		6.72		6.72
		226.78		214.94

(₹ in Crore)

SCHEDULE 2.1 - INTEREST EARNED

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Term Deposits (Gross) (Tax deducted at source ₹ 0.36 crore, Previous year: ₹ 1.29 crore)	3.24	8.06
Fertilizer Companies GOI Special Bonds	2.71	20.43
Loans to employees	1.26	1.03
Others (Gross) (Tax deducted at source ₹0.04 crore, Previous year : ₹ 0.05 crore)	3.61	1.09
	10.82	30.61

(₹ in Crore)

SCHEDULE 2.2 - OTHER INCOME

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Rent (Gross) (Tax deducted at source ₹ 0.93 crore, Previous year: ₹ 1.45 crore)	12.13	10.93
Liabilities / Provisions no longer required written back	3.84	2.54
Exchange Rate Variation (Net)	1.92	1.72
Miscellaneous Income (Gross) (Tax deducted at source ₹ 0.01 crore, Previous year: ₹ 0.09 crore)	17.41	10.88
	35.30	26.07
Note: Other Income not included above and charged to Expenditure during Construction	0.18	-

(₹ in Crore)

SCHEDULE 2.3-INCREASE()/DECREASE IN STOCKS

Opening stock

Finished Goods

Semi Finished Goods

Year ended
31st March, 2011

30.97

13.48

44.45

Year ended
31st March, 2010

104.38

15.78

120.16

Less:

Closing stock

Finished Goods

Semi Finished Goods

64.47

21.89

86.36

30.97

13.48

44.45

Increase ()/Decrease in stocks

(41.91)

75.71

Less: Excise Duty on Increase()/Decrease in stocks

(0.63)

-

Net Increase ()/Decrease in stocks

(41.28)

75.71

(₹ in Crore)

SCHEDULE 2.4 - MATERIALS CONSUMED

Raw Materials*

Packing Materials

Stores & Spares

Year ended
31st March, 2011

3292.35

84.89

24.66

3401.90

Year ended
31st March, 2010

2611.72

80.11

31.39

2723.22

* Itemwise Break-up of Raw Materials Consumed

	Unit	Year ended 31 st March, 2011		Year ended 31 st March, 2010	
		Quantity	Value (₹ in Crore)	Quantity	Value (₹ in Crore)
LSHS	Tonnes	605641	1917.88	581994	1518.34
Fuel Oil	Kilolitre	129272	364.49	155256	387.44
Naphtha	Tonnes	335	0.79	1146	2.70
Natural Gas	Million/Standard Cubic Metre	1104	1008.80	1063	703.06
Others			0.39		0.18
			3292.35		2611.72

(₹ in Crore)

SCHEDULE 2.5-EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Salaries, Wages & Bonus	266.14	238.66
Contribution to Provident Fund	25.03	23.93
Gratuity	8.74	(7.50)
Welfare Expenses	87.05	94.43
	386.96	349.52
Note: Employees' Remuneration & Benefits not included above and charged to Expenditure during Construction	4.40	0.43

(₹ in Crore)

SCHEDULE 2.6 - POWER AND FUEL

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Purchased power	113.22	102.89
Coal	548.78	496.33
Fuel oil	383.25	325.54
Natural Gas	190.03	126.40
Naphtha	2.72	6.36
Others	10.77	9.33
	1248.77	1066.85
Note: Power and Fuel not included above and charged to Expenditure during Construction	0.43	-

(₹ in Crore)

SCHEDULE 2.7 - REPAIRS AND MAINTENANCE

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Plant and Machinery	61.37	64.14
Buildings	6.25	5.59
Others	6.58	6.84
	74.20	76.57

(₹ in Crore)

SCHEDULE 2.8 - OTHER EXPENSES

	Year ended 31 st March, 2011		Year ended 31 st March, 2010	
Rent		4.08		5.33
Rates and Taxes		2.65		2.75
Insurance		5.97		3.66
Auditors' Remuneration				
Audit Fee	0.10		0.09	
Tax Audit Fee	0.04		0.03	
Certification and other fee	0.05		0.04	
Out of pocket expenses	0.02	0.21	0.04	0.20
Cost Audit Fee		0.02		0.02
Security Expenses		24.01		23.58
Printing and Stationery		1.47		1.30
Advertisement, Publicity and Sales Promotion		2.38		2.89
Directors' Fees		0.03		0.03
Telephone and Postage		1.46		1.27
Travelling		16.45		16.24
Water Charges		13.48		8.09
Provision for :				
Diminution in carrying cost of Investments	0.03		3.35	
Doubtful debts	0.67		(0.12)	
Doubtful advances	4.25		(0.06)	
Stores and spares	(0.29)	4.66	(0.06)	3.11
Loss on Sale of Investments		1.14		-
Write offs:				
Stores and spares	4.28		4.20	
Others	0.82	5.10	0.42	4.62
Bank Charges		3.43		3.40
Legal Expenses		1.06		1.12
Demurrage and Wharfage		2.92		6.55
Loss on sale of Fixed Assets (Net)		0.02		0.03
Cash Discounts		3.73		6.29
Others		17.37		19.61
		111.64		110.09
Note:				
Other Expenses not included above and charged to Expenditure during Construction		33.03		5.67

(₹ in Crore)

SCHEDULE 2.9 - INTEREST & FINANCING CHARGES

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Working Capital Loans	4.09	2.71
Short Term Loans	3.47	6.24
Others	1.59	2.01
	<u>9.15</u>	<u>10.96</u>
Note: Interest & Financing Charges not included above and charged to Expenditure during Construction	1.49	-

(₹ in Crore)

SCHEDULE 2.10 - PRIOR PERIOD ADJUSTMENTS (Net)

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
Interest Earned	0.02	0.15
Materials Consumed	-	(0.06)
Other Expenses	(0.08)	(0.04)
	<u>(0.06)</u>	<u>0.05</u>
() indicates debit items		

SCHEDULE 3 - SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1.1 Basis of Preparation of Financial Statements

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

1.2 Use of Estimates

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

1.3 Fixed Assets

Fixed Assets are stated at cost of acquisition or construction (including expenses allocated wherever applicable) less accumulated depreciation and impairment loss, if any.

Fixed Assets acquired out of capital grants are accounted for net of grants received.

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

1.4 Borrowing Costs

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

1.5 Depreciation/Amortization

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

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

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

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

1.6 Investments

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

1.7 Inventories

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

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

Finished and semi-finished goods are valued at lower of cost and net realizable value based on the applicable Concession/Sale Price. The plant- wise finished stocks lying at warehouses are determined on first-in-first-out basis

1.8 Foreign Currency Transactions

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

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

Exchange Gain/Loss on conversion of foreign currency transactions is recognized as income/expense.

1.9 Employees Benefits

Payments to defined contribution schemes are charged as expense as they fall due.

Provision towards defined benefit schemes are made based on the actuarial valuation as at the end of the year and charged to Profit & Loss Account along with actuarial gains/losses.

1.10 Adjustments pertaining to prior period and prepaid expenditure

Income/Expenditure pertaining to prior period and prepaid upto Rupee one lakh in each case is considered as income/expense of the current year.

1.11 Revenue Recognition

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

Price and Freight Subsidy is recognized based on notifications received from Fertilizer Industry Coordination Committee (FICC) and taking into account the effect of guidelines, policies, instructions and clarifications given by the Government.

Sale of scrap/ waste materials is recognized on disposal.

1.12 Claims

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

1.13 Leases

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

1.14 Deferred Tax

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

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

NOTES ON ACCOUNTS

2. CONTINGENT LIABILITIES

(₹ in crore)

Particulars	As at 31 st March, 2011	As at 31 st March, 2010
i) Claims against the Company not acknowledged as debts		
(a) Pending Appellate/Judicial decisions:		
• Income Tax	201.31	123.33
• Purchase Tax	59.23	59.23
• Excise & Customs Duty	7.37	2.29
• Land Compensation/Development claims	13.69	13.33
• Arbitration and civil cases	29.23	25.05
(b) Other claims	1.18	1.17
(c) Claims in respect of legal cases filed against the company for labour and other matters, extent whereof is not ascertainable.		
TOTAL	312.01	224.40
ii) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances). The amount as at 31 st March 2011 includes Project contracts relating to changeover of feedstock from Fuel oil to natural gas at Nangal, Panipat and Bathinda unit (₹2949.41 crore) and energy saving & capacity enhancement at Vijaipur I & II (₹192.17 crore).	3165.86	3515.56
iii) Unutilized amount of Letter of Credit.	179.03	8.33

- Capital work-in-progress includes amount of ₹485.68 crore incurred upto 31st March, 2011 relating to feedstock conversion projects from fuel oil to natural gas at Panipat, Nangal and Bathinda units. In terms of Government policy notified on 6th March, 2009, the Company is entitled to capital subsidy after successful commissioning of the projects over a period of 5 years, which shall be appropriately accounted for in terms of the policy.
- An advance of ₹130.69 crore (US\$ 37.62 million) was given to a foreign supplier M/s. Karsan during the year 1995-96 against import of Urea, the supplies of which were not received and subsequently the contract was terminated. Pending litigation, revenue reserves have been reduced to the extent of this advance during the year 1996-97. The outstanding advance (net of recovery) of ₹129.64 crore is shown in the Accounts under "Loans and Advances Recoverable" with corresponding adjustment in revenue reserve. Adjustment, if any, shall be made on settlement of the litigation.

Further, fixed deposit of ₹1.32 crore (US\$ 380,000) is maintained with a scheduled bank, as case property, in terms of the order dated 16.11.2000 of the Hon'ble Delhi High Court and shown in Schedule 1.11 Loans and Advances. As the matter is subjudice the exchange variation and interest accrued thereon is not being accounted for in the books.
- Based on the information received by the Company from the suppliers, regarding their coverage under the Micro, Small and Medium Enterprises Development Act, 2006, the disclosure as required under the said Act is as under:

(₹ in crore)

S.No. Particulars	As at 31 st March, 2011	As at 31 st March, 2010
1. The principal amount remaining unpaid to supplier	0.91	0.51
2. The interest due thereon remaining unpaid	-	-
3. The amount of interest paid in terms of Section 16 of the Act, along with the amount of the payment made to the supplier beyond the appointed day.	-	-
4. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	-	-
5. The amount of interest accrued during the year and remaining unpaid at the end of the year	-	-
6. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

6. Subsidy on Urea from Government of India includes ₹23.28 crore net debit (Previous year ₹42.05 crore net credit) for the earlier years as notified during the year.

7. Debit/Credit balances of some of the parties are in the process of confirmation/ reconciliation.

8. Disclosures as per Accounting Standards:

8.1 AS-15 (Revised): Employee Benefits:-

8.1.1 General description of defined benefit schemes:

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

8.1.2 Other disclosures/reconciliation, in respect of defined benefit obligations are as under: -

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

(₹ in Crore)

Sl. No.	Particulars	Gratuity		EL	
		10-11	09-10	10-11	09-10
1	Present value of projected benefit obligations at beginning of the year	162.15	167.96	54.23	53.05
2	Service Cost	6.53	7.73	2.84	2.36
3	Past Service Cost	-	-	-	-
4	Interest Cost	12.61	11.35	4.26	2.79
5	Actuarial (Gains) / Losses	4.76	(15.89)	20.67	15.73
6	Benefits Paid	(11.11)	(9.00)	(22.70)	(19.70)
7	Present value of projected benefit obligations at close of the year [1 to 6]	174.94	162.15	59.30	54.23
8	Fair Value of Plan assets at close of the year [(8.1.2(ii)), Sl. 7]	(170.69)	(166.64)	-	-
9	Net Liability recognized in Balance Sheet at close of the year [7-8]	4.25	(4.49)	59.30	54.23

(₹ in Crore)

Sl. No.	Particulars	HPL		PRMBS	
		10-11	09-10	10-11	09-10
1	Present value of projected benefit obligations at beginning of the year	38.65	32.74	44.69	30.70
2	Service Cost	1.87	1.61	1.31	1.47
3	Past Service Cost	-	-	0.12	0.70
4	Interest Cost	3.04	2.22	3.65	2.14
5	Actuarial (Gains) / Losses	1.60	3.98	3.12	10.00
6	Benefits Paid	(2.21)	(1.90)	(1.21)	(0.32)
7	Present value of projected benefit obligations at close of the year [1 to 6]	42.95	38.65	51.68	44.69
8	Fair Value of Plan assets at close of the year [(8.1.2(ii)), Sl. 7]	-	-	-	-
9	Net Liability recognized in Balance Sheet at close of the year [7-8]	42.95	38.65	51.68	44.69

(₹ in Crore)

Sl. No.	Particulars	PRSB		LSA	
		10-11	09-10	10-11	09-10
1	Present value of projected benefit obligations at beginning of the year	0.93	0.95	0.78	0.58
2	Service Cost	0.05	0.04	0.02	0.03
3	Past Service Cost	-	-	-	-
4	Interest Cost	0.07	0.07	0.06	0.04
5	Actuarial (Gains) / Losses	-	(0.10)	-	0.23
6	Benefits Paid	(0.05)	(0.03)	(0.09)	(0.10)
7	Present value of projected benefit obligations at close of the year [1 to 6]	1.00	0.93	0.77	0.78
8	Fair Value of Plan assets at close of the year [(8.1.2(ii)), Sl. 7]	-	-	-	-
9	Net Liability recognized in Balance Sheet at close of the year [7-8]	1.00	0.93	0.77	0.78

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

(₹ in Crore)

Sl. No.	Particulars	Gratuity	
		10-11	09-10
1	Fair value of plan assets at beginning of the year	166.64	114.94
2	Acquisition adjustment	-	-
3	Expected Return on plan assets	15.16	10.70
4	Actual Company's contribution	-	50.00
5	Actuarial Gains/(Losses)	-	-
6	Benefits Payments	(11.11)	(9.00)
7	Fair value of plan assets at close of the year	170.69	166.64
8	Present value of defined benefit obligation	174.94	162.15
9	Net liability recognized in the Balance Sheet at close of the year [8-7]	4.25	(4.49)

iii) **Expenses recognized in the statement of Profit & Loss Account :**

(₹ in Crore)

Sl. No.	Particulars	Gratuity		EL	
		10-11	09-10	10-11	09-10
1	Service Cost	6.53	7.73	2.84	2.36
2	Past Service Cost	-	-	-	-
3	Interest Cost	12.61	11.35	4.26	2.79
4	Actuarial (Gains) / Losses	4.76	(15.89)	20.67	15.73
5	Expected return on Plan Assets	(15.16)	(10.70)	-	-
6	Total charged to P&L Account	8.74	(7.51)	27.77	20.88

(₹ in Crore)

Sl. No.	Particulars	HPL		PRMBS	
		10-11	09-10	10-11	09-10
1	Service Cost	1.87	1.61	1.31	1.47
2	Past Service Cost	-	-	0.12	0.70
3	Interest Cost	3.04	2.22	3.65	2.14
4	Actuarial (Gains) / Losses	1.60	3.98	3.12	10.00
5	Expected return on Plan Assets	-	-	-	-
6	Total charged to P&L Account	6.51	7.81	8.20	14.31

(₹ in Crore)

Sl. No.	Particulars	PRSB		LSA	
		10-11	09-10	10-11	09-10
1	Service Cost	0.05	0.04	0.02	0.03
2	Past Service Cost	-	-	-	-
3	Interest Cost	0.07	0.07	0.06	0.04
4	Actuarial (Gains) / Losses	-	(0.10)	-	0.23
5	Expected return on Plan Assets	-	-	-	-
6	Total charged to P&L Account	0.12	0.01	0.08	0.30

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

(₹ in Crore)

Sl. No.	Particulars	Increase in inflation rate		Decrease in inflation rate	
		10-11	09-10	10-11	09-10
1	Increase/(Decrease) on aggregate service and interest cost of post retirement medical benefits	0.90	0.04	(0.73)	(0.03)
2	Increase/(Decrease) in present value of closing defined benefit obligations	8.27	7.28	(6.78)	(5.96)

(v) **Actuarial assumptions:**

Sl. No.	Particulars	As at 31 st March, 2011	As at 31 st March, 2011
1	Method used	Projected Unit credit	Projected Unit credit
2	Discount Rate (per annum)	8.10%	8.15%
3	Estimated rate of return on plan assets	9.50%	9.50%
4	Mortality Rate	Indian assured lives mortality (1994-96) modified ultimate	Indian assured lives mortality (1994-96) modified ultimate
5	Withdrawal Rates (per annum) upto 30 / 44 and above 44 years	Executives and Non Executives 3%/2%/1%, depending upon age	Executives and Non Executives 3%/2%/1%, depending upon age
6	Medical Cost Trend Rates (per annum)	8.00%	8.00%
7	Salary escalation taking into account inflation rate, seniority, promotion and other relevant factors	5.50%	5.50%

Note:

- The Company has funded the gratuity liability through a separate Gratuity Fund. The fair value of the plan assets is mainly based on the information given by the Insurance Companies through whom the investment have been made by the Fund.
- The defined benefit obligation, other than gratuity are unfunded.

8.1.3 Other Employee Benefit Schemes:

Provision of ₹3.07 crore (Previous year ₹1.33 crore) towards Employees' Family Economic Rehabilitation Scheme and Social Security Benefits scheme has been made on the basis of actuarial valuation and charged to the Profit & Loss account. A net liability of ₹11.65 crore has been recognized in the Balance Sheet as at 31st March 2011 on account of these schemes.

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

8.2 **AS-17: Segment Reporting-**

8.2.1 Business Segments:

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

8.2.2 Geographical Segment:

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

8.2.3 The disclosure of segment-wise information is given at Annexure-I.

8.3 **AS-18: Related Party Disclosures-**

A) Nature of Relationship	Name of the Related Party
Joint Venture	Urvarak Videsh Limited
B) Nature of Relationship	Name of the Related Party
Key Management Personnel	(i) Shri Satish Chandra, Chairman & Managing Director (C&MD), w.e.f. 31 st March 2011 (ii) Shri Deepak Singhal, Chairman & Managing Director (C&MD), w.e.f. 25 th February 2011 to 17 th March 2011 (iii) Shri V. K. Sharma, Chairman & Managing Director (C&MD), vacated office on 23 rd February, 2011 (iv) Ms. Neeru Abrol, Director (Finance) (v) Shri Rajesh Kumar Aggarwal, Director (Technical) w.e.f. 2 nd June 2010 (vi) Capt. P.K. Kaul, Director (Marketing) w.e.f. 7 th February, 2011

C) Transactions with Related parties:

- There is no transaction with related party at A) above except investment of ₹0.03 crore towards its paid-up capital during the year (in respect of total investment of ₹0.18 crore as on 31st March, 2011 full provision has been made in the Accounts).
- Remuneration to Key Management Personnel at B) above is ₹0.77 crore (Previous year ₹0.82 crore) which does not include remuneration to Key Management Personnel at (i) and (ii) above who have been given additional charge of the Company by Gol.

8.4 **AS-19: Leases-**

Assets taken on Operating lease:

The Company's significant leasing arrangements are in respect of operating leases of premises for offices, godowns, residential use of employees and vehicles. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable.

Schedule 2.5 - Employees remuneration and benefits include ₹0.26 crore (Previous year ₹0.61 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices, godowns and vehicles, ₹3.62 crore (Previous year ₹3.88 crore) are shown in Schedule 2.8 - Other expenses.

Assets given on Operating lease:

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

₹ in Crore

(i)	Original Cost	3.80
(ii)	Accumulated depreciation upto 31st March 2011	1.15
(iii)	Net Written Down Value as at 31st March 2011	2.65
(iv)	Depreciation recognized in Profit & Loss Account for the year ended 31st March 2011	0.07
(v)	Impairment losses recognized in Profit & Loss Account for the year ended 31st March 2011	-
(vi)	Impairment losses reversed in Profit & Loss Account for the year ended 31st March 2011	-

8.5 AS-22: Accounting for Taxes on Income-

8.5.1 In accordance with AS-22, the net deferred tax liability as on 31st March, 2011, has been accounted for as detailed below:

(₹ in crore)

Particulars	As at 31st March, 2011	As at 31st March, 2010
Deferred Tax Liability		
Depreciation	(139.76)	(163.47)
Deferred Tax Assets		
• Provisions	6.86	6.52
• Accrued expenses deductible on actual payments.	47.62	37.35
Deferred Tax Liability (Net)	(85.28)	(119.60)

8.5.2 Provision for taxation has been made keeping in view the provisions of the law and various judicial pronouncements.

8.6 AS-27: Financial Reporting of Interests in Joint Ventures-

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

- Name of the Joint Venture entity: 'Urvarak Videsh Limited'
- Co-Joint Venture companies: Krishak Bharti Co-operative Ltd. and Rashtriya Chemicals Ltd. as equal partners.
- Company has an investment of ₹0.18 crore towards paid up equity capital representing one third share.

- iv) The Company's share of ownership interest, assets, liabilities, income, expenses, contingent liabilities and capital commitment in the Joint Venture Company, incorporated in India, are given below:

(₹ in lakhs)

Year	% of Company's ownership interest	Assets	Liabilities	Income	Expenditure	Contingent Liabilities	Capital Commitments
2010-11	33%	3.45	0.08	0.10	0.33	-	-
2009-10	33%	6.18	5.58	0.13	11.38	-	-

8.7 AS-28: Impairment of Assets-

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

- 9 As per requirements of the listing agreements with the stock exchanges, the requisite details of loans and advances in the nature of loans given by the Company are as under:

- There are no loans and advances in the nature of loans to any subsidiary.
- No loans have been given (other than loans to employees), wherein there is no repayment schedule or repayment is beyond seven years; and
- There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

10 (a) - Licenced Capacity, Installed Capacity and Production

Quantity: Tonnes

Products	Installed Capacity*	Production
AMMONIA	1894200 (1894200)	1978779** (1944112)
UREA	3230700 (3230700)	3379730 (3329927)
SULPHUR	23700 (23700)	8882 (7131)
METHANOL	22110 (22110)	516 (2669)
BIO-FERTILIZERS	100 (100)	231 (226)
ARGON GAS (in Normal Cubic Metre, NM ³)	950400 (950400)	653676 (419413)

Notes:

* 'Licenced capacity' not applicable in terms of Government of India Notification No.S.O. 477 (E) dated 25th July, 1991

** Ammonia is primarily consumed for production of Urea.

10 (b) Opening stock, Purchases, Sales and Closing Stock

Quantity: Tonnes

Value: ₹ in Crore

Class of Goods	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
UREA	48525 (96361)	28.45 (102.56)			3358887 (3377500)	5558.62 (4837.97)	69222 (48525)	64.05 (28.45)
SULPHUR	430 (1024)	0.48 (0.28)			9285 (7725)	7.69 (3.32)	27 (430)	0.03 (0.48)
METHANOL	616 (704)	1.87 (1.45)			44 (131)	0.12 (0.39)	- (616)	- (1.87)
BIO- FERTILIZERS	59 (30)	0.16 (0.07)			219 (196)	0.87 (0.74)	71 (59)	0.18 (0.16)
ARGON GAS (in NM ³)	- (-)	- (-)			653676 (419413)	2.07 (1.33)	- (-)	- (-)
INDUSTRIAL PRODUCTS-OTHERS		0.01 (0.02)				111.46 (94.31)		0.21 (0.01)
TRADED GOODS								
SEEDS	- (-)	- (-)	5501 (3468)	9.10 (6.41)	5501 (3468)	9.41 (6.47)	- (-)	- (-)
COMPOST	- (-)	- (-)	646 (630)	0.14 (0.12)	646 (630)	0.14 (0.14)	- (-)	- (-)
Micorhizza	- (-)	- (-)	104 (99)	0.56 (0.54)	104 (99)	0.73 (0.70)	- (-)	- (-)
Muriate of Potash (MOP)	- (-)	- (-)	49960 (61116)	97.62 (146.64)	49815 (61081)	99.92 (146.91)	- (-)	- (-)
Total		30.97 (104.38)		107.42 (153.71)		5791.03 (5092.28)		64.47 (30.97)

Notes:

1. Sales value of Urea & MOP includes subsidy received from Government.

2. Figures of Closing Stock are after adjustment for of inter-plant transfers, internal consumption, shortage etc.

3. Figures in brackets are for previous corresponding year.

(₹ in Crore)

	Current Year	Previous Year
11 Expenditure incurred in Foreign Currency on account of		
Consultancy & Professional charges	77.26	9.25
Others	0.20	0.23
Total	77.46	9.48
12 Value of Import*		
(Calculated on CIF basis)	9.42	5.39
Capital Goods	7.36	10.08
Components & Spare Parts		
Total	16.78	15.47

*excludes imports through canalising agency ₹87.94 crore (Previous year ₹133.12 crores)

	Current Year		Previous Year	
	Value	%	Value	%
	(₹ in Crore)		(₹ in Crore)	
13 Value of Raw Materials consumed				
Indigenous	3292.35	100.00	2611.72	100.00
14 Value of Stores & Spares consumed				
Imported	7.10	15.15	6.79	15.17
Indigenous	39.78	84.85	37.97	84.83
Total	46.88	100.00	44.76	100.00

15 Remittance in foreign currencies for dividends:

The Company has not remitted any amount in foreign currencies on account of dividend during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividend for the year 2009-10 paid in current year on account of non-resident shareholders are as under:

Dividend (2009-10)		Current year	Previous year
a) Number of non resident shareholders		103	90
b) Number of ordinary shares held by them		70399	138387
c) Amount of Dividend (₹ in lakh)		0.74	0.83
16 Remuneration to Directors			
		Current year	(₹ in Crore) Previous year
Salaries		0.59	0.64
Company's contribution to PF and other funds		0.08	0.06
Encashable Leave		0.06	0.09
Estimated value of perquisites		0.04	0.03
Total		0.77	0.82

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

17 Figures in brackets pertain to previous year and have been re-arranged / regrouped / re-cast, wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. **L74899DL1974GOI007417** State Code **55**
Balance Sheet Date **31ST MARCH, 2011**

II. CAPITAL RAISED DURING THE YEAR (₹ in Thousands)

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

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (₹ in Thousand)

Total Liabilities **33683873** **Total Assets** **33683873**

Sources of Funds

a) Paid up Capital	4905784
b) Reserves & Surplus	11815953
c) Secured Loans	4938479
d) Unsecured Loans	1192162
e) Deferred Tax Liability (Net)	852791
TOTAL	23705169

Application of Funds

a) Net Fixed Assets	12531677
b) Investments	18
c) Net Current Assets	11173474
d) Misc. Expenditure	-
e) Accumulated Losses	-
TOTAL	23705169

IV PERFORMANCE OF COMPANY (₹ in Thousands)

a) Turnover *	58371458
b) Total Expenditure	56332248
c) Profit before Tax	2039210
d) Profit after Tax	1384966
e) Earning per share in ₹	2.82
f) Dividend (Paidup Capital) (%)	8.50

* includes other Income

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

a) Item Code No.(ITC Code)	310210
b) Product Description	UREA

For & on behalf of the Board of Directors

TEK CHAND
COMPANY SECRETARY

NEERU ABROL
DIRECTOR (FINANCE)

SATISH CHANDRA
CHAIRMAN & MANAGING DIRECTOR

Annexure - I

SEGMENT RESULTS FOR THE YEAR ENDED 31st MARCH, 2011

₹ in crore

	Year ended	
	31 st March, 2011	31 st March, 2010
<u>Segment Revenue (Net Sales)</u>		
Urea	5558.62	4837.97
Other Products	238.15	258.50
Less: Inter Segment Revenue	5.74	4.19
Total Segment Revenue	5791.03	5092.28
<u>SEGMENT RESULTS</u>		
Urea	192.54	247.61
Other Products	43.63	24.53
Total Segment Results	236.17	272.14
Less: Unallocable Expenses (Net of Unallocable Income)	23.10	1.23
Less : Interest expenses	9.15	10.96
Profit Before Tax	203.92	259.95
Provision for Tax	65.42	88.44
Profit After Tax	138.50	171.51
<u>Segment Assets</u>		
Urea	2580.35	1953.35
Other Products	28.45	41.71
Unallocable	759.59	903.31
Segment Assets	3368.39	2898.37
<u>Segment Liabilities</u>		
Urea	917.10	705.70
Other Products	12.51	11.52
Unallocable	766.60	599.01
Segment Liabilities	1696.21	1316.23
<u>Capital Expenditure</u>		
Urea	22.23	24.80
Other Products	-	0.03
Unallocable	2.43	0.80
Capital Expenditure	24.66	25.63
<u>Depreciation and Amortisation expenses</u>		
Urea	86.43	90.60
Other Products	0.96	1.69
Unallocable	1.51	1.46
Depreciation and Amortisation expenses	88.90	93.75
<u>Non-cash expenses other than Depreciation and Amortisation</u>		
Urea	9.57	4.35
Other Products	0.17	0.02
Unallocable	1.18	3.39
Non-cash expenses other than Depreciation and Amortisation	10.92	7.76

Auditor's Report

Annexure-II

To the Members of National Fertilizers Limited

1. We have audited the attached Balance Sheet of National Fertilizers Limited as at 31st March, 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. 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 evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes 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 & 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 & 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, to the extent applicable;
 - v) 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 Notes on Accounts", give the information as required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - b) in case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For S.P.CHOPRA & CO.,
CHARTERED ACCOUNTANTS**

**(ANKUR GOYAL)
PARTNER
(Membership no. 99143)
FIRM REGD. NO. 000346N**

**Place: New Delhi
Date: 30th May, 2011**

**For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS**

**(ATUL JAIN)
PARTNER
(Membership no. 91431)
FIRM REGD. NO.006791N**

Anexture to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of the available information.
 - b) As explained to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. We are informed that discrepancies noticed on verification were not material and have been properly dealt with in the books of account.
 - c) There was no disposal of a substantial part of fixed assets during the year.
- (ii)
 - a) The physical verification of the inventory has been carried out by the management in accordance with the perpetual inventory programme, at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business.
 - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, Clauses 4(iii)(b), (c), (d), (f) & (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets, sale of goods & services. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
- (v) According to the information and explanations given to us, the Company has no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956. Therefore, Clause 4 (v) (b) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (vi) The Company has not accepted any deposit from the public within the meaning of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the Company's internal audit system is generally commensurate with the size and nature of its business, which however further requires more indepth coverage.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records in respect of certain products under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records.
- (ix)
 - (a) According to information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing, with the appropriate authorities, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other statutory dues. According to the information and explanations given to us, no undisputed amounts remains payable in respect of such statutory liabilities as at 31st March, 2011 for a period of more than six months from the date they became payable.
There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
 - (b) According to the information and explanations given to us, the particulars of the disputed dues as at 31.03.2011 which have not been deposited on account of matters pending in appeal before appropriate authorities are as under:

Name of Statute	Nature of Dues	Amount involved (₹ in Lakhs)	Forum/ Period where the dispute is pending
Income Tax Act	Income Tax	257.56 5529.01 1353.72 3103.13	Supreme Court since 2009-10 High Court since 2008-09 and 2009-10 ITAT since 2008-09 and 2009-10 CIT(A) since 2008-09 and 2009-10
Central Excise Act	Excise Duty	104.24 200.00	CESTAT since 2008-09 Commissioner (Appeals) since 2009-10
Finance Act 1994 Service Tax	Service Tax	29.36	Addl. Commissioner, Central Excise Indore since 2006-07
M.P. Commercial Tax Act	Purchase Tax	130.07	Commercial Tax Appellate Board, Bhopal since 2006-07
Haryana Local Area Development Tax Act	Entry Tax	671.94	Joint Excise Taxation Commissioner, Rohtak since 2004-05
	TOTAL	11379.03	

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

**For S.P.CHOPRA & CO.,
CHARTERED ACCOUNTANTS**

**(ANKUR GOYAL)
PARTNER
(Membership no. 99143)
FIRM REGD. NO. 000346N**

**Place: New Delhi
Date: 30th May, 2011**

**For DSP & ASSOCIATES
CHARTERED ACCOUNTANTS**

**(ATUL JAIN)
PARTNER
(Membership no. 91431)
FIRM REGD. NO.006791N**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
NATIONAL FERTILIZERS LIMITED FOR THE YEAR ENDED 31st MARCH, 2011**

The preparation of financial statements of National Fertilizers Limited for the year ended 31st March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act 1956 are responsible for expressing opinion on these financial statement under section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30.05.2011.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of National Fertilizers Limited for the year ended 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

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

(John K. Sellate)
Pr. Director of Commercial Audit &
Ex-Officio Member, Audit Board-IV

**Place : New Delhi
Date : 13.07.2011**

Corporate Governance Report

1. **Company's Philosophy on code of Governance:**

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

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

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

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

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

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

2. **Board of Directors**

2.1 **Size of the Board**

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

2.2 **Composition of the Board**

The Board of Directors as on 31st March 2011 comprises of four Directors out of which three are Whole Time Functional Directors and one is the non Executive Director - Government of India nominee who is holding the Additional Charge of Chairman and Managing Director of the Company. Brief profile of the Directors is set-out elsewhere in the Annual Report. The Company was not having the whole time Chairman & Managing Director on 24.02.2011 and also from 18.03.2011 to 30.03.2011. Further, there was no independent directors in the board after 29.01.2011.

The Listing Agreement with Stock Exchanges stipulates that atleast half of the Board should comprise of independent directors. During 4th May, 2010 to 26th May, 2010, Board's composition was in accordance with the Listing Agreement and for the rest of the year, the number of Independent Directors were less than stipulated 50%, which is evident from the detail given below.

Period		Composition of the Board		
From	to	Total	Independent	Others
01.4.2010	03.05.2010	7	3	4
04.5.2010	26.05.2010	6	3	3
27.05.2010	01.06.2010	7	3	4
02.06.2010	29.01.2011	8	3	5
30.01.2011	06.02.2011	5	-	5
07.02.2011	23.02.2011	6	-	6
24.02.2011	17.03.2011	5	-	5
18.03.2011	31.03.2011	4	-	4

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

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

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

2.3 Age limit and tenure of Directors

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

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

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

2.4 Other details relating to the Board

Details regarding tenure, number of other Directorships/Committee Memberships (viz. Audit Committee and Shareholders Grievance Committee as per SEBI's Corporate Governance Code) held by Directors during the year 2010-11 are tabulated below:-

S. No.	Director (S/Shri)	Category	Tenure		In other Boards/Committees		
			From	To	Directorship	Membership	Chairmanship
1.	V.K.Sharma, Chairman & Managing Director	ED	27.08.2009	23.02.2011	1	-	-
2.	Ms. Neeru Abrol, Director (Finance)	ED	01.10.2007	Continuing	1	-	-
3.	Rajesh Kumar Aggarwal, Director (Technical)	ED	02.06.2010	Continuing	-	-	-
4.	Capt. Pavan Kumar Kaul, Director (Marketing)	ED	07.02.2011	Continuing	-	-	-

S. No.	Director (S/Shri)	Category	Tenure		In other Boards/Committees		
			From	To	Directorship	Membership	Chairmanship
5.	Satish Chandra	NED- Govt. Nominee	27.10.2008	Continuing	2	-	-
6.	N.K. Goyal	NEID	30.01.2008	29.01.2011	3	-	-
7.	Dr. S.K. Bhattacharyya	NEID	30.01.2008	29.01.2011	2	-	-
8.	S.A.T. Rizvi	NEID	30.01.2008	29.01.2011	-	-	-
9.	Deepak Singhal	NED-Govt. Nominee	27.05.2010	17.3.2011	5	-	-
10.	Sudhir Bhargava	NED-Govt. Nominee	16.03.2009	03.05.2010	3		

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

Note:

1. Shri V.K. Sharma vacated office as Director and CMD on 23.2.2011.
2. Shri Deepak Singhal held the additional charge as Chairman & Managing Director from 25.2.2011 to 17.3.2011.
3. Shri Satish Chandra is holding the additional charge as Chairman & Managing Director w.e.f. 31.3.2011.
4. One Independent Director has been appointed on 6.5.2011
5. Directors' Profile is given separately.

2.5 Responsibilities

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

2.6 Independent Directors

The Independent Directors play a vital role in the deliberations at the Board meetings and help with their wide-ranging experience in the fields of finance, audit, marketing, engineering, human resource development and public administration.

2.7 Board Meetings, Agenda & Minutes

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

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

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

2.8 Meetings held

During the year, 9 meetings of the Board were held on: 27th April, 27th May, 29th July, 9th September, 25th October, 29th October, 16th December, 2010, 27th January, 2011 and 25th March, 2011. The Annual General Meeting was held on 9th September 2010. Details of attendance at the Board Meetings and Annual General Meeting are as follows:-

DIRECTORS (S/Shri)	Category	Board Meetings during respective tenure of Directors		Attendance at last Annual General Meeting
		Held	Attended	
V.K.Sharma	ED	08	08	Present
Ms. Neeru Abrol	ED	09	09	Present
Rajesh Aggarwal	ED	07	06	Present
Capt. Pavan Kumar Kaul	ED	01	01	No
Satish Chandra	NED-Govt. Nominee	09	07	No
Sudhir Bhargava	NED-Govt. Nominee	01	01	No
Deepak Singhal	NED-Govt. Nominee	07	03	No
N. K. Goyal	NEID	08	07	Present
Dr.S. K. Bhattacharyya	NEID	08	06	Present
S.A.T. Rizvi	NEID	08	03	No

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

Notes:

1. Shri V.K.Sharma vacated office as Director and CMD on 23.02.2011
 2. Shri Rajesh Aggarwal joined on 02.06.2010
 3. Capt. Pavan Kumar Kaul joined on 07.02.2011.
 4. Shri Sudhir Bhargava vacated office as Director on 03.05.2010
 5. Shri Deepak Singhal was a Director from 27.5.2010 to 17.3.2011.
 6. S/Shri N.K.Goyal, S.A.T.Rizvi & Dr. S.K. Bhattacharyya vacated office as Director on 29.01.2011.
- Dr. S.K. Bhattacharyya, Independent Director, who was also a Member of the Audit Committee, represented the Chairman of the Audit Committee at the last Annual General Meeting held on 9th September, 2010.

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

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

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

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

3. Committees of the Board of Directors

The Board has constituted the following Committees:

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

3.1 Audit Committee

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

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

Composition & Attendance at the Meetings

During the year 2010-11, the Audit Committee met on 5 times i.e. 27th May, 2010, 29th July 2010, 30th September, 2010, 29th October, 2010 and 27th January, 2011. In terms of requirement of the listing agreement, two third members of the audit committee is to be independent however there was no independent director in the committee reconstituted w.e.f. 25.03.2011 as a resultant the Chairman of the Audit Committee was also not an independent director. The composition of the Audit Committee and attendance at the meeting during the year 2010-11 was as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure		Meetings during respective tenure	
			From	to	Held	Attended
01.	S.A.T. Rizvi	Chairman	23.5.2008	29.1.2011	5	4
02.	Dr. S.K. Bhattacharyya	Member	30.1.2008	29.1.2011	5	4
03.	N.K. Goyal	Member	30.3.2010	29.1.2011	5	5
04.	Ms. Neeru Abrol	Member	30.1.2008	Continuing	5	5
05.	Satish Chandra	Chairman	25.3.2011	10.5.2011	*	-
06.	Rajesh Kumar Aggarwal	Member	25.3.2011	Continuing	*	-
07.	Capt. Pavan Kumar Kaul	Member	25.3.2011	Continuing	*	-

*Last meeting of Audit Committee was held on 27.1.2011.

Note:

- Audit Committee was reconstituted on 25.03.2011 when S/Shri Satish Chandra was appointed Chairman of the Committee and Rajesh Kumar Aggarwal and Capt. Pavan Kumar Kaul were included as members. The committee has been reconstituted on 11.05.2011 after joining of Independent Director (6.5.2011), whereby Independent Director has been appointed Chairman of the Committee.
- Shri Rizvi was Chairman of the Committee from 30.3.2010 to 29.1.2011.
- S/Shri N.K. Goyal, S.A.T. Rizvi and Dr. S.K. Bhattacharyya vacated office as Director on 29.1.2011.

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

3.2 Shareholders/Investors Grievance Committee

Scope:

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

Composition & Attendance

The composition of the Committee during the year 2010-11 was as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure	
			From	to
01.	N.K. Goyal	Chairman	30.1.2008	29.1.2011
02.	Dr. S.K. Bhattacharya	Member	29.7.2010	29.1.2011
03.	Ms. Neeru Abrol	Member*	29.7.2010	Continuing
04.	Satish Chandra	Member	25.3.2011	10.5.2011
05.	Rajesh Kumar Aggarwal	Member	25.3.2011	Continuing

Notes:

1. Shri N.K. Goyal, was the Chairman of the Committee from 29.7.2010 to 29.1.2011
2. *Ms. Neeru Abrol was appointed as Chairperson of the Committee w.e.f. 25.3.2011 .
3. The committee has been reconstituted on 11.05.2011 after joining of Independent Director (6.5.2011), whereby Independent Director has been appointed as Member of the Committee. During the year, no meeting of the Committee was held.

Summarized information on complaints

There were no complaints pending for redressal as on 31.03.2011. Number of shareholders complaints received and resolved during the period 1st April, 2010 to 31st March, 2011 were 469 as detailed below:-

Quarter ended	Complaints Received	Complaints Resolved	Complaints Pending
30.06.2009	215	215	NIL
30.09.2009	42	42	NIL
31.12.2009	185	185	NIL
31.03.2010	27	27	NIL
Total	469	469	NIL

3.3 Remuneration Committee

Composition & Scope

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

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

In terms of the guidelines of the Department of Public Enterprises, Government of India every Central Public Sector Undertakings is required to constitute a Remuneration Committee headed by an Independent Director to decide the Annual Bonus/Variable Pay Pool and policy for its distribution across the executives and non-unionized supervisors. The Board has constituted a Remuneration Committee. The constitution of the Committee was as follows:-

S.No.	Name of Director (S/Shri)	Status	Tenure		Meetings attended
			From	To	
01.	Dr. S.K. Bhattacharya	Chairman	29.12.2008	29.1.2011	1
02.	S.A.T. Rizvi	Member	29.12.2008	29.1.2011	1
03.	N.K. Goyal	Member	29.12.2008	29.1.2011	1
04.	Ms. Neeru Abrol	Member	25.3.2011	Continuing	-
05.	Satish Chandra	Chairman	25.3.2011	Continuing	-
06	Rajesh Kumar Aggarwal	Member	25.3.2011	10.5.2011	-

Note : The committee has been reconstituted on 11.05.2011 after joining of Independent Director (6.5.2011), whereby Independent Director has been appointed as Member of the Committee.

4. Remuneration and Sitting Fee paid to Directors during 2010-11

4.1 Remuneration paid to Executive Directors

(Amount in ₹)

Name of the Director (S/Shri)	Salary including perks	Retirement Benefits	Total
V.K.Sharma,	20,56,582	5,57,346	26,13,928
Ms. Neeru Abrol	21,91,588	5,13,058	27,04,646
R.K. Aggarwal	17,93,415	2,30,908	20,24,323
Capt. P.K. Kaul	2,85,156	48,830	3,33,986
Total	63,26,741	13,50,142	76,76,883

4.2. Sitting Fee paid to Independent Directors

The Non-executive Independent Directors are paid sitting fee of ₹10,000 (₹ 5,000 for meetings held upto 27th April, 2010) for attending each meeting of the Board and/or Committee thereof. Sitting fee paid to Independent Directors during 2010-2011 is as follows:-

(Amount in ₹)

Name of the Independent Director	Board Meetings	Audit Committee Meetings	Other Committee Meetings	Total
Shri N.K.Goyal	65,000	50,000	10,000	1,25,000
Dr. Subir Kumar Bhattacharyya	60,000	40,000	10,000	1,10,000
Shri S.A.T.Rizvi	30,000	40,000	10,000	80,000
Total	1,55,000	1,30,000	30,000	3,15,000

4.3 Stock Options

The Company has not issued any stock options.

5. General Body Meetings:

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

Type of Meeting	Date of Meeting	Time	Place	Details of Special Resolution(s) passed, if any
YEAR 2007-08				
Annual General Meeting	23.9.2008	3.00 AM	Air Force Auditorium, Subroto Park, New Delhi - 110010	Amendment of Article No.(s).40, 41, 43, 78(1A) and Article 78(1B) of the Articles of Association of the Company.
YEAR 2008-09				
Annual General Meeting	11.9.2009	11.00 AM	Air Force Auditorium, Subroto Park, New Delhi - 110010	Nil
YEAR 2009-10				
Annual General Meeting	9.9.2010	11.30 AM	Air Force Auditorium, Subroto Park, New Delhi - 110010	Nil

5.2 Postal Ballot

5.2.1 Pursuant to Section 192(A) of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and Section 293(1)(a), an Ordinary Resolution of the shareholders was put through postal ballot during the year, According, consent of the Company to the Board of Directors to mortgage/create charge on all moveable/immoveable properties of the Company for securing the borrowings subject to the limit of ₹5000 crores.

5.2.2 Voting pattern

The summary of results/pattern of postal ballot was as below:

Particulars	No. of postal ballot forms	No. of shares
(a) Total postal ballot forms Received	101	28,204
(b) Less Invalid postal ballot forms	1	1
(c) Net valid postal ballot forms	100	28,203
(d) Postal ballot forms with assent for the Resolution	99	28,193 (99.96%)
(e) Postal ballot forms with dissent for the Resolution	1	10 (0.04%)

5.2.3 Scrutinizer and procedure adopted to conduct the Postal Ballot

Shri V.P. Kapoor of M/s. V.P. Kapoor & Co., Practicing Company Secretary was appointed Scrutinizer to conduct the Postal Ballot. The following procedure was adopted:-

1. Director (Finance) and Company Secretary, jointly and severally were authorized to supervise and control the entire postal ballot process.
2. Notice was given to every shareholder of the Company and the voting rights of such shareholders were reckoned as on the cut off date i.e. 30.07.2010.
3. The dispatch of Notice of Postal Ballot was completed on 06.08.2010 and the last date for receipt of Postal Ballot Forms was 10.09.2010. An advertisement was published in the newspapers on 7th August, 2010 giving the date of completion of despatch of notice and the last date for receipt of Postal Ballot Forms from the shareholders by the scrutinizer.
4. Scrutinizer submitted his report regarding the Postal Ballot to the Chairman & Managing Director on 14.09.2010.
5. The result of Postal Ballot was declared on 14.09.2010 at 3.00 PM at Registered Office of the Company at Scope Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi - 110 003 and the same was also displayed on the Notice Board of the Company.
6. The minutes of the proceedings were signed by the Chairman and Managing Director on 14.09.2010 and the Company Secretary took over the safe custody of the Postal Ballot Forms from the Scrutinizer on the same day.

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

5.2.5 Extraordinary General Meeting

During the year, an Extraordinary General Meeting (EGM) was held on 28.1.2011 at 4.00 PM at Scope

Auditorium, Scope Complex, Core-VIII, 7 Institutional Area, New Delhi - 110 003, where pursuant to Sections 16, 13 and 94 of the Companies Act, 1956, a Special Resolution was passed increasing the authorized capital of the Company from ₹500 crores to ₹1000 crores altering Clause V of Memorandum of Association and Article 5 of Articles of Association of the Company accordingly.

6. Disclosures:

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

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

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

8. Compliance Officer

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

9. Whistle Blower Policy

The Company is in the process of putting in place a Whistle Blower Policy. Apart from that Company has established a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct or Ethics Policy. The employees can have direct access to the Chairman & Managing Director.

10. Means of Communication

- Quarterly (unaudited but reviewed) and annual audited financial results of the Company as approved by the Board are submitted to the Stock Exchanges.
- Quarterly/Annual Financial Results for 2010-2011 have been published in prominent newspapers as below :

Quarter ended	Date of publication	News Paper
30.06.2010	30.7.2010	The Hindustan Times, Hindustan, Mint, The Financial Express
30.09.2010	30.10.2010	Indian Express, Jansatta, The Financial Express
31.12.2010	28.1.2011	The Economic Times, Navbharat Times, The Times of India, The Financial Times
31.03.2011	31.05.2011	The Economic Times, Navbharat Times, The Times of India,

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

11. General Shareholder Information

(i) General Body Meeting

Date: 12th September, 2011 at 11.30 AM

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

(ii) Address for Communication:-

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

(iii) Website

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

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

	Telephone No.	FAX No.
Registered Office	24360066	24361553
Investor Services Cell	91-120-2412322 PBX: 3292201-08	91-0120-2411132 & 2412397
E-Mail ID	investor@nfl.co.in	
Company Secretary Mr. Tek Chand	0120-2412322	0120-2411132
E-Mail ID	tekchand@nfl.co.in	

iv) Financial Calendar for FY 2011-12

Particulars	Date
Accounting Period	April 1, 2011 to March 31, 2012
Un-audited Financial Results for the first three quarters	Within a period of 45 days from the end of each quarter
Fourth Quarter Results	Audited Results on or before 31 st May 2012
AGM (Next Year)	September, 2012 (Tentative)

v) Book Closure

The Register of Members and Share Transfer Books will remain closed from 2nd to 12th September, 2011 (both days inclusive).

vi) Payment of Dividend

The Board of Directors of the Company has recommended the payment of Dividend of 8.5% (₹0.85 per share of ₹10 each)

The record date for the payment of Dividend is 2nd September, 2011.

vii) Listing at Stock Exchanges

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

National Stock Exchange of India Ltd.

Bombay Stock Exchange Limited

Scrip Code: NSE : NFL BSE : 523630

Demat ISIN No. in NSDL and CDSL INE870D0101

viii) Market Price Data

Monthly high and low price of shares of the Company during the financial year ended 31st March, 2011 on the Bombay Stock Exchange (BSE) were as follows:-

Month	Stock Prices of the Company		Corresponding BSE SENSEX share price index	
	High (₹)	Low (₹)	High	Low
April, 2010	111.40	96.55	18047.86	17276.80
May, 2010	112.80	96.95	17536.86	15960.15
June, 2010	115.80	105.00	17919.62	16318.39
July, 2010	125.65	114.20	18237.56	17395.58
August, 2010	126.00	114.60	18475.27	17819.99
September, 2010	125.95	115.55	20267.98	18027.12
October, 2010	131.40	116.80	20854.55	19768.96
November, 2010	138.60	104.00	21108.64	18954.82
December, 2010	117.70	100.65	20552.03	19074.57
January, 2011	119.00	97.75	20664.80	18.38.48
February, 2011	114.15	92.95	18690.97	17295.62
March, 2011	108.40	98.90	19575.16	17792.17

Face Value of NFL Share is ₹10.

ix) Registrar and Share Transfer Agent
 M/s. MAS Services Limited,
 T-34, 2nd Floor, Okhla Industrial Area,
 Phase-II, New Delhi - 110 020.
 PH: 26387281-83 FAX: 011-26387384

Email: info@masserv.com

x) Distribution of Shareholding

Shares held by different type of shareholders as on 31.03.2011 are given below:-

No. of Equity Shares held	Number of Shareholders	% age of Total	No. of shares held	% age of Total
(1)	(2)	(3)	(4)	(5)
Upto 500	14750	94.66	1209480	0.25
501 to 1000	442	2.84	366884	0.07
1001 to 2000	205	1.32	319496	0.07
2001 to 3000	63	0.40	157648	0.03
3001 to 4000	32	0.20	115938	0.02
4001 to 5000	26	0.17	122261	0.03
5001 to 10000	28	0.18	205042	0.04
10001 & above	36	0.23	488081651	99.49
Total	15582	100.00	490578400	100.00

(b) Shareholding Pattern

	Category	Number of Shares held	% age of shareholding
(A)	Shareholding of Promoter and Promoter Group (Government of India)		
I	Indian	479000500	97.640
II	Foreign	-	-
	Sub Total	479000500	97.640
(B)	Public shareholding Institutions		
I	Institutions	7374737	1.503
II	Non-institutions	4203163	0.857
	Sub Total	11577900	2.360
	GRANDTOTAL	490578400	100.00

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

Company has not issued any such securities.

(xii) Status of dematerialization of shares as on 31st March, 2011

The shares of the Company are compulsorily traded in dematerialised mode. Company has signed agreements with both the depositories i.e. National Securities Depository Services (India) Limited and Central Depositories Services (India) Ltd. Company offers simultaneous transfer-cum-demat facility to the investors. As on 31.03.2011, all the shares of the Company were held in dematerialized form except for 46786 shares as per shareholders' request, which form negligible percentage (0.01) of total shares subscribed.

(xiii) Share Transfer System

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

In case of shares held in physical form, the transferred share certificates duly endorsed are dispatched within 10 days from the date of receipt of documents, provided documents are valid and complete in all respects. In compliance of the provisions of Listing Agreement, the share transfer system of the Company is audited by a Practicing company Secretary and a certificate to that effect is issued by him.

In case of request for dematerialization of shares, confirmation of dematerialization is sent to the respective depository i.e. National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL), expeditiously.

Name and addresses of the Depositories are as under:-

1. National Securities Depository Services (India) Limited,
Trade World, 4th Floor, Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.
2. Central Depository Services (India) Limited,
Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street, Mumbai - 400 023.

(xiv) Location of Production Units

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

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

12. Electronic Clearing Service

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

13. Code of Conduct and Ethics

The Company has adopted "Code of Conducts and Ethics" for the Directors and Senior Executives of the Company. The object is to conduct the Company's business ethically and with responsibility, integrity, fairness, transparency and honesty. The Code is available on the Company's website www.nationalfertilizers.com. All directors and senior management personnel have complied compliance with the Code of Conduct and Ethics as on 31st March, 2011.

Declaration as required under Clause 49 of the Listing Agreement

This is to certify that in line with the requirements of Clause 49 of the Listing Agreement, all the Directors of the Board and Senior 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 Personnel during the year 2010-11.

New Delhi
29th July, 2011

Sd/-
(Satish Chandra)
Chairman & Managing Director

Code of Insider Training

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

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

We, Satish Chandra, Chairman & Managing Director and Neeru Abrol, Director (Finance) of the Company, to the best of our knowledge and belief certify that:-

1. We have reviewed the Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March, 2011 and all its schedules and notes on accounts, as well as the Cash Flow Statement.
2. To the best of our knowledge and information:-
 - a. these statements do not contain any materially untrue statement or omit to state a material fact or contain statement that might be misleading;
 - b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. We also certify that based on our knowledge and the information provided to us, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violate the Company's code of conduct.
4. The Company's other certifying officers and we are responsible for establishing and maintaining internal controls for financial reporting and procedures for the Company and we have evaluated the effectiveness of the Company's internal controls and procedures pertaining to financial reporting.
5. The Company's other certifying officers and we have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and through them to the Audit Committee of the Company's Board of Directors.
 - a. All significant deficiencies in the design or operation of internal controls, which we are aware and have taken steps to rectify these deficiencies;
 - b. Significant changes in internal control over financial reporting during the year;
 - c. Any fraud, which we have become aware of and that involves management or other employees who have a significant role in the Company's internal control system over financial reporting.
 - d. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the accounts. We further declare that all Board members and senior management have affirmed compliance with the code of conduct for the current year.

**Sd/
(NEERU ABROL)
DIRECTOR (FINANCE)**

**Sd/-
(SATISH CHANDRA)
CHAIRMAN & MANAGING DIRECTOR**

Place : New Delhi

Date : 29st July, 2011

Director's Profile

Shri Satish Chandra

Shri Satish Chandra aged about 49 years is a senior IAS officer of 1986 batch. He has a lot of administrative experience. Shri Chandra joined the Board of Company on 27.10.2008. At present Shri Chandra is Joint Secretary with Ministry of Chemicals & Fertilizers, Department of Fertilizers, Government of India and is also holding the additional charge as Chairman & Managing Director, NFL since 31st March, 2011. Shri Satish Chandra is also a Director on the Board of Directors of Madras Fertilizers Limited, Indian Potash Limited, OMIFCO and Fertilizer and Chemicals Travancore Limited. Shri Chandra is also Chairman of the Remuneration Committee of the Company. Shri Chandra is liable to retire by rotation and is eligible for reappointment as Director at this Annual General Meeting.

Ms. Neeru Abrol

Ms Neeru Abrol aged about 56 years, has joined National Fertilizers Limited as Director (Finance) on 1st October 2007. Prior to this, she had been with Steel Authority of India Limited (SAIL) as General Manager (Finance). A Chartered Accountant by profession Ms Abrol embodies an extensive experience spanning over 29 years in the field of Financial Management. At SAIL, she successfully handled various managerial positions. She was on Board of M/s SAIL Bansal from July 2006 to September 2007. She had been non-executive Director and Chairperson of Urvarak Videsh Limited, a joint venture company of NFL, RCF & KRIBHCO during the period 1st October, 2008 to 30th September, 2009. As Finance Director on the Board of NFL, she is responsible for formulating financial strategies and plan. She oversees the entire gamut of Financial Management in the Company including mobilization of financial resource and optimum utilization of funds. Formulation of company's financial budget, undertaking budgetary controls, ensuring compliance of Company Law and other statutory requirements, internal control systems etc. are some of her other vital areas of operation. Ms Abrol has visited USA and UK on a number of key assignments. Besides domestic training programmes, she has also attended Foreign Training Programme on Financial Management organized in USA, UK, France and Germany. Ms. Abrol is also a member on the Audit Committee and Remuneration Committee and Chairperson of the Shareholders/Investors' Grievance Committee of the Company.

Shri R.K. Aggarwal

Shri Rajesh Aggarwal has taken over as Director (Technical) of the Company on 2nd June 2010. Before joining NFL, he was functioning as Executive Director, Rashtriya Chemicals & Fertilizers Limited (RCF), Thal Unit. Aged about 58 years, a Chemical Engineer by profession, Shri Aggarwal had been associated with FCI/RCF since 1975. During these years, Shri Aggarwal served in Trombay/Mumbai and Thal units of RCF in various capacities. He is credited for a number of operational and innovative measures at RCF, Thal, which received the prestigious "Best Technical Innovation Award" from FAI. Shri Aggarwal has vast experience in the operations of Fertilizer Plants and has been instrumental in successful implementation and execution of various projects at RCF. Besides RCF, Shri Aggarwal has extended his specialised professional services on behalf of Deptt. of Fertilizers to BVFCL, Namrup and MFL, Chennai to successfully tackle operational difficulties. Shri Aggarwal is a member of Audit Committee and Shareholders/Investors' Grievance Committee.

Capt. Pavan Kumar Kaul

Capt. Pavan Kumar Kaul has taken over as Director (Marketing) of National Fertilizers Limited (NFL) on 7th February, 2011. Aged about 54 years, prior to joining NFL, Capt. Kaul was functioning as Executive Director, Container

Corporation of India Ltd. (CONCOR). He has also earlier been with the Shipping Corporation of India. Capt. Kaul is a Master Mariner, a Post Graduate in Public Administration and a Diploma in Logistics Management. He brings with him rich experience of Marketing, Business Development, Strategic Planning, Logistics, Project Management, Infrastructure & Cold Chain Development, Shipping, Multi-modal Transportation and Marine technology. He is, among others, a member of the Administrative Staff College of India, Institute of Rail Transport. He is a member of the CII National Exports Committee. Capt. Kaul is also a member of the Audit Committee of the Company.

Shri Munikoti Niranjana Rao

Aged about 62 years, Shri M. Niranjana Rao, is a Practicing Chartered Accountant in Visakhapatnam. He has extensive experience in the field of Banking, Taxation, and Financial Management over 30 years and joined as Independent Director in the company on 6.5.2011. At Present he is the Chairman for Audit Committee, Member of Remuneration Committee, Shareholders'/Investors' Grievance Committee, and Appellate Authority for Disciplinary matters. The notice has been received in writing under Section 257 of the Companies Act, 1956 proposing the candidature of Shri Rao as Director.

S.P. CHOPRA & CO.
Chartered Accountants
31-F, Connaught Place,
Radial Road No.7, New Delhi

DSP & Associates,
Chartered Accountants
783, DB Gupta Road
Karol Bagh, New Delhi

CERTIFICATE

To,
The Members of
National Fertilizers Limited

We have examined the compliance of the conditions of 'Corporate Governance' by National Fertilizers Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with the various stock exchanges.

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

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

- i) *Clause 49 (1) (A) of the listing agreement requires that not less than fifty percent of the Board of Directors of the company should comprise of non-executive directors being independent. However, the company did not have an optimum combination of executive and non-executive directors being independent on its Board of Directors during the year 2010-11 except for 04.05.2010 to 26.05.2010 (both days inclusive). Further, there were no independent directors in the Audit Committee, Shareholders / Investors Grievance Committee and Remuneration Committees of the Board after 29.01.2011.*
- ii) *The Chairman of the Audit Committee did not attend the Annual General Meeting held on 9th September, 2010.*

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

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

For S.P. Chopra & Co.
Chartered Accountants

For DSP & Associates,
Chartered Accountants

Ankur Goyal
(Partner)
M. No. 99143
Firm Regn. No. 000346N

Atul Jain
(Partner)
M. No. 91431
Firm Regn. No. 006791N

Place: New Delhi
Date: 21st July, 2011

FORM-A

Annexure-V

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(Annexure to Directors' Report)

		2010-11	2009-10
A.	POWER & FUEL CONSUMPTION		
1.	ELECTRICITY		
	a) Purchased		
	Unit Mwh	213582	221017
	Total amount Rs. in Lakh	11109	10184
	Average rate/Unit Rs./Mwh	5202	4608
	b) Own Generation		
	i) Through diesel generator Unit		
	Unit Mwh	1.871	3.578
	Unit per ltrs. of diesel oil Mwh/ltrs	0.001	0.001
	Cost/Unit Rs./Mwh	53635	35660
	ii) Through Steam Turbine/Gas Turbine		
	Unit Mwh	533457	538557
	Coal/unit of Power MT/Mwh	0.997	0.926
	Oil/unit of Power MT/Mwh	0.040	0.042
	Gas/unit of Power 000sm ³ /Mwh	0.192	0.190
	Cost per Unit Rs./Mwh	3361	2848
	iii) From Waste Steam Mwh		
2.	COAL(Specify quality & where used)		
	(Slack coal used for operating boilers)		
	Quantity MT	1456361	1409507
	Total cost Rs. in Lakh	45281	40975
	Average rate Rs./MT	3109	2907
3.	FURNACE OIL/LSHS		
	Quantity MT	96295	104619
	Total cost Rs. in Lakh	33927	28602
	Average rate Rs./MT	35233	27339
4.	OTHER/INTERNAL GENERATION		
	Natural Gas		
	Quantity 000sm ³	166484	150202
	Total cost Rs. in Lakh	15436	9918
	Rate/Unit Rs./000sm ³	9272	6603
	Naphtha		
	Quantity MT	1156	2705
	Total cost Rs. in Lakh	272	636
	Rate/Unit Rs./MT	23509	23515
B.	CONSUMPTION PER UNIT OF PRODUCTION		
	i) Electricity Mwh	0.212	0.214
	ii) Fuel Oil MT	0.064	0.056
	iii) Coal MT	0.970	0.939
	iv) Gas 000M ³	0.089	0.082
	iv) Naphtha MT	0.001	0.001

FORM -B

Disclosure of Particulars with respect to Conservation of Energy & Technology Absorption

(Annexure to Director's Report)

A. Technology Absorption

- Revamp of F.O based units at Nangal, Panipat & Bathinda for changeover of feedstock for Ammonia plant from Fuel Oil/LSHS to NG/RLNG has been taken up at a total investment of ₹4066 crores. M/s Tecnimont are LSTK contractors for Nangal Unit while M/s L&T are LSTK contractors for Panipat and Bathinda Units. Zero date of the project has been declared as 29/01/2010 & it is scheduled to be completed & commissioned by November-December 2012. The revamp of these fuel oil plants will improve the process technology, lower effluent discharge due to use of cleaner feed stock and reduce energy consumption from the present level of 9.5-9.6 GCal/MT to 7.1-7.6 GCal/MT of Urea.
- Proposal has been initiated for study & revamp of boilers for use of cleaner Natural Gas as support fuel in place of Fuel oil at the F.O based plants.

B. R&D efforts

- Benefits of use of bio-pesticides/bio-insecticides are being studied by Pant Nagar Agriculture University, Chandra Shekhar University, Kanpur & Jabalpur Krishi Viswavidyalay on behalf of NFL.
- R&D Trials on use of elemental Sulphur in Agriculture were carried out at Company farms at Nangal on crops like wheat.

C. Future Action Plan:

- Maximization of production of neem coated urea from NFL plants .
- Proposal for production of power at Nangal by installing a turbo generator and utilizing the spare boiler capacity available after revamp is being considered. Consultant is being lined up to study the best feasible option.
- Setting up of a Seed Processing plant in Madhya Pradesh is under active consideration .

D. Energy Conservation Measures:

The company has undertaken major revamp projects for reduction in energy consumption as its commitment to achieve highest standards of excellence. Few of the, energy conservation measures undertaken are as follows:

- Energy Saving Project (ESP) of Ammonia Plant along with capacity augmentation of Urea plant in Vijaipur I and II has been undertaken at a cost of ₹ 650 crores. The projects are expected to be commissioned by Oct -Dec 2011. Latest state of the art equipments like installation of additional S-50 synthesis converter with waste heat boiler, modified secondary reformer burner nozzles in ammonia plant, pre-concentrator and pre decomposer in urea plant along with other modifications shall lead to energy savings to the tune of 0.12 GCal/MT of Urea and 0.04 GCal/MT of Urea at Vijaipur-I and Vijaipur- II respectively, in addition to increase in Urea production from complex by 19.4%.
- Order has been placed in Oct 2010 for installation of Carbon Dioxide Recovery (CDR) plant at Vijaipur I, wherein carbon dioxide from flue gases shall be recovered, for subsequent conversion to urea, at an estimated cost of ₹ 91 crore. Project is expected to be commissioned by June 2012. This not only will help in the augmentation of production of Urea, but also reduce emission of Greenhouse gases.

- Operation of Purge gas recovery in Vijaipur-I has been maximized and surplus ammonia produced due to above is being sold/ transferred to Nangal unit for production of industrial products.
- At Vijaipur, scheme is under implementation for utilization of off gases from MP inert washing columns in Urea plant as fuel in CPP boilers. This will save equivalent energy in terms of fuel gas. It is expected to be commissioned by July 2011.

E. Foreign Exchange Earnings & Outgo

	Particulars	For the year ended	
		31.03.2011	31.03.2010
(i)	Foreign Exchange Earnings	nil	nil
(ii)	Foreign Exchange used:-		
(a)	CIF Value of import	₹16.78	₹ 15.47
(b)	Other expenditure in foreign currency	₹ 77.46	₹ 9.48

F. Industrial Safety, Ecology and Pollution Control:

- Company accords highest priority to Industrial Safety, Ecology & Pollution Control and has adopted 3R's approach i.e reduce, reuse, recycle in an effort to have zero effluent discharge plants. Company has adopted an extensive afforestation programme. All the statutory standards are met by respective units.
- All the Units are ISO-9001-2000 certified for Quality Management System and ISO-14001 certified for Environment Management System.
- All the units have received OHSAS-18001 certification for Occupational Health & Safety Management System.
- Installation of Carbon Dioxide Recovery plant of 450 MTPD capacity for recovery of Carbon Dioxide from flue gases of Primary Reformer at Vijaipur is under implementation. This will also cause reduction in discharge of Greenhouse gases.
- A consultant has been lined up to take up revamp projects for changeover of feed stock from FO to NG for consideration under Clean Development Mechanism (CDM) in order to enable NFL to trade equivalent Carbon Credits
- Silo system for collecting fly ash from ESP hoppers has been installed at Nangal, Panipat & Bathinda for evacuation of ash from the plants. This system has reduced the quantity of ash slurry disposal and the ecological problem associated in its disposal.

Annexure- VI

Information on persons belonging to Scheduled Castes / Scheduled Tribes category:

The guidelines on reservation for Scheduled Castes (SC) and Scheduled Tribes (ST) were implemented in letter and spirit. Details of representations of SC/ST employees as on 31st March 2011 are as follows:-

Representation of SC/ST/OBC as on 31.3.2011

Group	Total No. of employees	SCs	%age	STs	%age
A	1663	363	21.83	83	4.99
B	1956	513	26.23	158	8.08
C	838	213	25.42	41	4.89
D (excluding Safai Sewaks)	54	24	44.44	3	5.56
D (Safai Sewaks)	85	85	100.00	0	0.00
TOTAL	4596	1198	26.07	285	6.20

Recruitment of SC/STs during the year

Group	Total No. of employees	SCs	%age	STs	%age
A	3	0	0.00	0	0
B	0	0	0.00	0	0
C	5	1	20.00	0	0
D (excluding Safai Sewaks)	0	0	0	0	0
D (Safai Sewaks)	0	0	0	0	0
TOTAL	8	1	12.50	0	0

Promotion of SC/STs during the year

Group	Total No. of employees	SCs	%age	STs	%age
A	326	65	19.94	19	5.83
B	125	36	28.80	10	8.00
C	201	51	25.37	10	4.98
D (excluding Safai Sewaks)	2	0	0.00	0	0.00
D (Safai Sewaks)	0	0	0	0	0.00
TOTAL	654	152	24.63	39	5.96

The overall reservation percentage achieved for SC category employees is 26.07, which is more than the prescribed reservation. In case of ST, the percentage achieved is 6.20%. There is a slight shortfall than the prescribed reservation because the reservation in Group 'C' and 'D' posts filled up by Direct Recruitment in the States of Punjab and Haryana, where three plants of the Company are located, was abolished w.e.f. 1st June, 1985.

NATIONAL FERTILIZERS LIMITED

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

37th NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of the Members of National Fertilizers Limited will be held at 11.30 A.M. on Monday, the 12th September, 2011 at Air Force Auditorium, Subroto Park, New Delhi - 110 010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the Profit & Loss Account for the year ended on that date together with the Reports of the Board of Directors and the Auditors' thereon.
2. To declare dividend for the financial year 2010-11.
3. To appoint a director in place of Shri Satish Chandra, who retires by rotation and is eligible for reappointment.
4. To fix remuneration of Auditors appointed by the Comptroller & Auditor General of India for the financial year 2011-12.

SPECIAL BUSINESS

5. To appoint Shri Munikoti Niranjana Rao, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-
"RESOLVED THAT Shri Munikoti Niranjana Rao who was appointed as an Additional Director of the Company and who holds Office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board of Directors

Place: New Delhi
Date : 29th July, 2011

(Tek Chand)
Company Secretary

NOTES:

1. The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of business item 5 above is annexed hereto.
2. **APPOINTMENT OF PROXY**
A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and to vote instead of himself. Such proxy need not be a member of the company. A blank form of proxy is enclosed herewith and, if intended to be used, it should be returned duly completed at the registered office of the company not less than forty-eight hours before the scheduled time of the commencement of the Meeting.
3. **APPOINTMENT OF AUTHORISED REPRESENTATIVES**
No person shall be entitled to attend or vote at the meeting as a duly authorized representative of any body corporate which is a shareholder of the Company, unless a copy of the resolution appointing him/her as a duly authorized representative, certified to be a true copy by the Chairman of the meeting at which it was passed, shall have been deposited at the Registered Office of the Company not less than forty eight hours before the scheduled time of the commencement of the meeting.

4. CLOSURE OF REGISTER OF SHAREHOLDERS

The Register of Members and Share Transfer Books of the Company will remain closed from 2nd September, 2011 to 12th September, 2011 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.

5. PAYMENT OF DIVIDEND

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

- a. As Member in the Register of Members of the Company after giving effect to all valid share transfer in physical form which are lodged with the Company/Registrar & Share Transfer Agent on or before 1st September, 2011; and
- b. In respect of the shares in electronic form on the basis of beneficial ownership furnished by National Securities Depositories Ltd. (NSDL) and Central Depositories Services (India) Limited (CDSL) for this purpose as at the end of 1st September, 2011.

6. CHANGE OF ADDRESS

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

7. CONSOLIDATION OF HOLDINGS

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

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

- a. In order to protect the investors from fraudulent encashment of warrants, the members are requested to furnish their Bank Account Number (Current/Savings), the name of the Bank and Branch where they would like to deposit the dividend warrants for encashment, whenever dividend is declared by the Company. These particulars will be printed on the Dividend Warrant besides the name of the shareholders, so that these warrants cannot be encashed by anyone other than the shareholder.

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

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

9. UNCLAIMED DIVIDEND

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956 as amended, the dividend amounts which remain unclaimed or unpaid for a period of seven years are required to be transferred to the Investors' Education and Protection Fund (IEPF) of the Central Government. After that there remains no claim of the members whatsoever on the said amount. Accordingly, the dividend for the financial year ended 31st March, 2004 which remains unclaimed upto 28th September, 2011 will be transferred to the said account. Members who have not yet claimed their dividend are requested to make their claims to the Company before the expiry of the stipulated period of 7 years as stated above.

10. NOMINATION

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

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

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

12. INSPECTION OF REGISTERS AND DOCUMENTS

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

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

14. SHAREHOLDER QUERIES

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

15. ATTENDANCE SLIP-CUM ENTRY PASS

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

16. Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered Folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.

17. Due to strict security reasons, no eatables, helmet, briefcase or bag, mobile phone, etc are allowed inside the Auditorium. Persons attending the meeting are, therefore, requested to make their own arrangement for safe custody of such articles.

By Order of the Board of Directors

(Tek Chand)
Company Secretary

Place: New Delhi
Date: 29th July, 2011

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

Item No.5

President of India has appointed Shri Munikoti Niranjana Rao as an Independent non Functional Director on the Board of the Company vide orders dated 6.5.2011. Aged about 62 years, Shri Rao is a Practicing Chartered Accountant at Vishakhapatnam. He has rich experience. Company will be benefited by his experience in the commercial field. The notice has been received in writing under Section 257 of the said Act from a member proposing the candidature of Shri Rao as Director. He will be liable to retire by rotation.

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

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

By Order of the Board of Directors

(Tek Chand)
Company Secretary

Place: New Delhi
Date: 29th July, 2011

NATIONAL FERTILIZERS LIMITED

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

Dear shareholder(s),

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

In case you have not already sent the ECS/Bank Account particulars and changes therein to our Registrars, viz, M/s. MAS Services Ltd. or to your Depository Participant (in case of demat holding), we would request you to provide the said particulars in the format given below to facilitate prompt, safe and correct payment of dividend to be declared in the 37th Annual General Meeting of the Company to be held on 12th September, 2011.

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

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

Kindly help us in our endeavour to serve you better.

Yours faithfully,

(Tek Chand)
Company Secretary

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

FORM FOR ECS MANDATE/BANK ACCOUNT PARTICULARS

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

Credit my dividend amount to my Bank Account through ECS.

(strike out whichever is not applicable)

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

Particular of Bank Account:

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

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

Signature of the shareholder(s)

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

FORM 2B

(See rules 4CCC and 5D of Companies (Central Govt.'s) General Rules & Forms, 1956)

NOMINATION FORM

(TO BE FILLED BY INDIVIDUAL(S) APPLYING SINGLY OR JOINTLY)

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

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

Name : _____

Address : _____

Date of Birth* _____

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

**The Nominee is a minor whose guardian is _____

Name and Address _____

(**To be deleted if not applicable)

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Signature : _____

Name : _____

Address : _____

Date: : _____

Address, Name and Signature of two witnesses:-

Name and Address	Signature with date
1.	
2.	

Instructions:-

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

NATIONAL FERTILIZERS LIMITED

(Government of India Undertaking)

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

PROXY FORM

I/We _____ of _____ (address) being a Member(s) of National Fertilizers Limited hereby appoint Mr./Mrs. _____ of _____ or failing him/her _____ of _____ as my/our Proxy to attend and vote for me/us on my/our behalf at the 37th Annual General Meeting of the Company to be held on Monday, 12th September, 2011 at 11.30 AM at Air Force Auditorium, Subroto Park, New Delhi- 110010 or at any adjournment thereof.

Signed this _____ day of _____ 2011.

DP Id. No.		Regd. Folio No.	
Client Id. No.		No. of Share(s) held	

Affix
Re.1/- Revenue
Stamp

Signature.....

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



NATIONAL FERTILIZERS LIMITED

(Government of India Undertaking)

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

ATTENDANCE SLIP

Name of Shareholder(s). _____

Address _____

DP Id. No.		Regd. Folio No.	
Client Id. No.		No. of Share(s) held	

I/We hereby record my/our presence at the 37th Annual General Meeting of the Company held on Monday, September 12, 2011 at 11.30 AM at Air Force Auditorium, Subroto Park, New Delhi- 110010.

Signature of Member(s)/Proxy

Note:

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



नेशनल फर्टिलाइजर्स लिमिटेड
एन. एफ. एल.
NATIONAL FERTILIZERS LIMITED

NATIONAL FERTILIZERS LIMITED

(A Govt. of India Undertaking)

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

Corporate Office : A-11, Sector-24, Noida-201301

Website : www.nationalfertilizers.com