



CHAIRMAN'S SPEECH

**44TH ANNUAL GENERAL MEETING
OF RASHTRIYA CHEMICALS AND FERTILIZERS
LIMITED**

Friday, December 23, 2022 at 3.00 PM



44TH ANNUAL GENERAL MEETING HELD ON FRIDAY, DECEMBER 23, 2022

CHAIRMAN'S SPEECH

DEAR VALUED SHAREHOLDERS OF RCF,

On behalf of the Board of Directors of Rashtriya Chemicals and Fertilizers Limited, I extend a warm welcome to each one of you in the 44th Annual General Meeting. I trust that you and your family members are in the best of health.

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

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

1.0 ECONOMIC SCENARIO

The Indian economy grew 8.7% in 2021-22, with the gross domestic product (GDP) expanding 4.1 per cent in the March quarter from a year ago. The GDP growth for 2021-22 takes the economy above its pre-pandemic level and is an improvement after contracting to 6.6 per cent in 2020-21. Incidentally, the economic growth during the entire fiscal of 2021-22 has gradually spiralled downwards with each quarter. In the first quarter of 2021-22, the economic growth had been a stupendous 20.1 per cent, which however was mainly due to the low base effect.



2.0 INDUSTRY SCENARIO DURING THE CURRENT FINANCIAL YEAR

Overall fertilizers production has increased by 0.79% during financial year 2021-22 as against financial year 2020-21 due to increase in production of DAP & SSP. Imports have decreased sharply by 10.34% due to by the sharp decrease in Urea, NPK and MOP imports.

Production of urea increased by 1.93% during the financial year 2021-22 as against 2020-21 due to favourable weather and market conditions. Urea is largely sourced domestically however, imports were decreased by 7.1% during the year 2021-22.

DAP production increased by 11.80% during financial year 2021-22 as against financial year 2020-21. Imports on the other hand have risen by 11.88% in financial year 2021-22 as against financial year 2020-21.

MOP imports have decreased substantially by 41.80% during financial year 2021-22 as against financial year 2020-21. India meets its Potassium chloride (commonly referred to as Muriate of Potash or MOP) requirements completely through imports from Canada, Russia, CIS+ Belarus, Israel, Jordan and Lithuania.

Production of NPK have decreased by 10.87 % during the financial year 2021-22 against financial year 2020-21. NPK imports have decreased by 15.83% during financial year 2021-22 as against financial year 2020-21.

The production of SSP which is an indigenous phosphatic multi-nutrient fertilizer increased by 8.76 % during financial year 2021-22 as against financial year 2020-21. SSP is a cheaper alternative to DAP.

Overall sales of fertilizers have decreased by 5.40% during financial year 2021-22 as against financial year 2020-21. Sales of Urea, DAP, NPKS and MOP have decreased by 2.46%,22.16%, 2.81% and 28.28% respectively during financial year 2021-22 as against financial year 2020-21. The sales of SSP was increased



sharply by 26.57% during the financial year 2021-22 against the financial year 2020-21.

Subsidy budget for financial year 2021-22 is deemed to be adequate to meet the requirements of the industry thus keeping the credit profile healthy. Financial year 2022-23 allocation falls short of requirement although GoI's track record of making additional allocations during the year provide comfort. Industry's business profile to remain stable in financial year 2022 with GoI taking timely steps to support the industry. Outlook for financial year 2022-23 appears to be stable on the expectation of enhanced subsidy support from the GoI.

3.0 OUTLOOK AND CHALLENGES

For the year 2022-23, the budget allocation for fertilizer subsidy is Rs. 1,05,222 crores. This is higher by more than Rs. 25,000 crores from the BE of 2021-22. Considering the increase in international prices of raw materials and other essential fertilizers, Government of India provided additional subsidy amount of Rs.1.10 lakh crore, in May 2022, to further cushion the impact on the farmers. The revised subsidy is deemed to be adequate to meet the needs of the Industry.

The industry has been continuously striving for ensuring availability through domestic production and imports even at thin or negative margins. P&K sector is almost entirely dependent on import of raw materials due to lack of natural resources of phosphate and potash. This segment of industry has maximized production in spite of challenges of availability and high prices of inputs in international markets. In spite of multifold increase in pooled price of gas for urea sector this year, average cost of production of domestic urea remained roughly about 50% of price of imported urea. This has helped not only in ensuring supplies but also in saving huge subsidy on urea for the country.

Fertiliser prices are expected to remain at elevated levels amid rising geopolitical tensions constraining availability and elevated energy prices. Energy



prices remain firm with natural gas prices rising to record highs. Input prices are expected to remain elevated in the near to medium term. Industry's business profile is expected to remain stable in FY2022-23 on the expectation of enhanced subsidy support from the GoI.

The performance of agriculture sector has been very encouraging so far and it will attain new heights with all the measures implemented and initiated by the central and state Governments. In addition to ensuring food security of this vast nation, agriculture will continue to make progress towards sustainability, remunerative operation and increasing contribution to agri exports. Fertilizer industry will continue to play its crucial role in achieving these objectives and success story of agriculture sector.

4.0 OPERATIONAL PERFORMANCE DURING FY 2021-22

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

Some of the performance highlights of the FY 2021-22 have been:

- 1) Highest ever Profit Before Tax (PBT) of Rs.943.91 crore and Profit After Tax(PAT) of Rs. 704.36 crore
- 2) Company achieved a record revenue of Rs. 2423.90 crore during the year from its industrial chemicals segment which is highest ever since inception
- 3) Highest ever dividend of Rs.3.85 per share i.e. 38.50% of equity share capital recommended by the RCF BOD.
- 4) Highest ever sale of 6.39 lakh MT of Suphala-15 (Indigenous + Imported)
- 5) Highest ever sale of 410 KL of Microla
- 6) First time marketed Imported NPK 15:15:15 grade and sold 0.52 lakh MT
- 7) Highest ever sale of AN melt of 1.619 LMT
- 8) Highest ever sale of Ammonia of 1.73 LMT
- 9) Highest ever sale of ABC (Mrudula) of 0.32 LMT



The frame of reference in which your Company operates i.e. the state of economy in general and fertilizer industry in particular, during 2021-22, is briefly outlined for better understanding of the performance of your Company. I am glad to inform you that against all odds, your Company stood up to the challenges and delivered a stellar performance.

During the year 2021-22, your Company achieved Revenue from Operations of Rs. 12812.17 crore as against Rs.8281.18 crore in previous year. However, your Company achieved a record revenue of Rs. 2423.90 crore during the year from its industrial chemicals segment which is highest ever since inception. Your Company has reported the highest ever Profit Before Tax (PBT) of Rs. 943.91 crore for financial year 2021-22 as compared to Rs. 527.98 crore for the previous year registering a growth of more than 78.78%. Profit after tax for financial year 2021-22 surged to Rs. 704.36 crore from Rs 381.94 crore in previous year registering an increase of 84.42%, as the Company gained from improved energy efficiencies at both Units, better margins of Industrial Chemicals and reduction in finance cost.

Your Company achieved sales volume of 30.80 lakh MT during 2021-22 as compared to 31.42 lakh MT during the previous year. Your Company sold 22.08 lakh MT of Urea and 5.87 lakh MT of Suphala 15:15:15, 0.49 lakh MT of City Compost and 2.31 lakh MT of other bought out products i.e. DAP, MOP, Imp NPK etc as compared to 22.62 lakh MT of Urea, 5.43 lakh MT of Suphala 15:15:15, 0.51 lakh MT of City Compost and 2.80 lakh MT of other bought out products i.e. DAP, MOP, Imp. NPK etc. during the previous year. The total sale of manufactured fertilizers (Urea & NPK) during 2021-22 was 27.95 lakh MT as against 28.05 lakh MT during the previous year. Sales of manufactured fertilizers registered reduction of 0.34% over previous year due to production constraints.

Your company sold 2.79 LMT Imported and traded products i.e. DAP, MOP, Imp NPK, City compost etc. as compared to 3.31 LMT during previous year.



The sale of value added products such as Microla picked up momentum during the year. Microla sale registered growth of 18.02% touching 410 KL during the year as against 347.4 KL in the previous year. Combined sale of manufactured and imported water soluble fertilizers under the brand name 'Sujala' touched 5056 MT during the year as against 7100 MT sold in the previous year. Other products such as Biola, pH balancer, Silica and OGS also registered healthy volumes during the year.

Your Company has been designated as State Trading Enterprise (STE) in October 2019 for Import of Urea on Government Account. Based on the instructions of Department of Fertilizers (DoF), your Company imported approx. 45.41 lakh MT quantity of Urea at approx. Rs 19,087 Crore through issue of total six (6 Global tenders during the year 2021-22).

5.0 ATMANIRBHAR BHARAT

Under 'Atmanirbhar Bharat', your Company has restarted Phosphoric Acid Plant at Trombay. Your Company has achieved the highest ever sale of AN Melt Plant. Setting up new AN Melt Plant, NPK Fertilizers Plant & Concentrated Nitric Acid Plant have been proposed. Sale of high volume products like Ammonia, AN(Melt) & DNA will facilitate improvement in turnover as well as profitability.

6.0 AWARDS

I am also happy to share with you the several recognitions and awards have been received by the company under various categories from Central as well as State Government and Institutes of repute for PSU CMD Leadership Award, Effective Safety Culture Award, Energy Conservation Award, Energy Efficiency for best performance in Fertilizer sector, Award in Environment Protection category, Promotion and Marketing of Micronutrients & Bio fertilizers, Certificate of Excellence for Energy Conservation & Management, Excellence in Safety, Certificate of Excellence for Best Production Performance in Complex Fertilizers, Excellence in Occupational Health and Safety & Excellence in Corporate



Governance and so on. Details of the same can be seen in the annual report already available with you.

7.0 DIVIDEND

Although your Company has lined up a number of capex programmes entailing substantial expenditure, considering the consistent profits being made by the Company, your Directors have recommended a final Dividend of Rs.2.50 per equity share of Rs.10/- each for the financial year 2021-22. Your Board had earlier approved payment of interim dividend of Rs.1.35 per equity share of Rs.10/- each for the financial year 2021-22, at its meeting held on November 10, 2021 and same was paid to the shareholders on December 6, 2021. The total dividend for the financial year 2021-22 amounts to Rs.3.85 per equity share which is highest in the history of RCF.

8.0 MEMORANDUM OF UNDERSTANDING WITH GOVERNMENT

The performance rating for 2021-22 MoU has been finalised by the Government and the Company achieved “Very Good” rating for the year 2020-21.

9.0 FUTURE PLANS

The road ahead is filled with challenges and opportunities. Your company is fully equipped to grab the opportunities and face any challenges that the market throws up.

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

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



i. Energy saving schemes at Trombay and Thal:

- ✓ Trombay Ammonia V Plant Revamp (KBR Scheme)
- ✓ Ammonia Revamp at Thal (HTAS Scheme)

An investment of approximately Rs. 450 Crore is being planned in these projects.

ii. New Ammonium Nitrate (AN) Melt Project at Trombay:

Country was facing severe shortage of Coal supply leading to serious concern of power generation shortage. The situation had arisen due to shortfall in the availability of AN melt to the Coal mining industry. Government appealed to all the existing AN melt manufacturers, including RCF, to undertake immediate measures to increase the production of AN melt. I take pride to state that RCF rose to the occasion and in shortest possible time, based on our in-house efforts, completed all the statutory approvals and increased our production capacity by around 50,000 Tonnes in the same year. In addition to above, your Company is also setting-up new AN Melt plant at RCF Trombay unit with latest and energy efficient technology. The estimated Project Cost for the new AN melt plant is Rs.187 Crore.

iii. Nano Urea Project at Trombay:

Nanotechnology is an emerging field and is expected to provide efficient nutrient management as compared to existing fertilizer management practices. M/s IFFCO has developed a technology for manufacture Nano Urea. It is being claimed that Nano Urea is expected to reduce the use of conventional Urea by up to around 50% and being an eco-friendly product will protect the health of soil. Your Company, based on the technology sharing arrangement with IFFCO, is setting up a Liquid Nano Urea plant of 75 KL per day capacity at its Trombay Unit. The estimated project capital cost is about Rs.150 Crore.



iv. **Joint Venture Projects:** Plan for expansions through JV route are envisaged as under:

- ✓ **Coal Based Fertilizer Plant**, comprising of 2200 MTPD Ammonia plant and 3850 MTPD Urea plant, at Talcher, Odisha based on coal gasification technology is estimated to cost approx. Rs.13,277 ($\pm 10\%$) Crore. The project is of strategic importance for the country as it aims to make breakthrough for an alternative source of feedstock in the form of abundantly available coal from domestic sources. Success of this project is expected to be a game changer and shall pave a way forward to the production of chemicals and fertilizers from abundantly available coal resulting in less dependency on RLNG imports. It will also help in meeting much needed Urea production capacity for the eastern part of the Country. The commissioning of the project is scheduled to be completed by September 2024. However, the same is likely to get affected due to Covid-19 pandemic.

10.0 RESEARCH AND DEVELOPMENT

The tool to future sustainability is Research and Development (R&D). Your Company has taken up several Research and Development projects, some of which are for commercial scale design and engineering. Our strong R&D team has been analysing soil, weather, and crop data through various new-age technologies, in order to empower the farmers with predictive farming skills. I am pleased to announce that, as the result of sustained efforts in Research & Development, on 10th September, 2021, your Company has successfully launched Geola' product at the hands of Hon'ble Minister of Chemicals and Fertilizers Dr. Mansukh Bhai Mandaviya Ji. The Geola product is in powder form which contains Nitrogen fixing, Phosphate solubilizing and Potassium mobilizing bacteria in dormant condition. These bacteria through their activities partially fulfil the nutrient requirements of the crops as well as provide plant growth regulators like gibberellic acid, auxins, cytokinins in small quantities.



Further, Company has launched “Florola” Products out the hands of Hon’ble Minister Dr. Mansukh Bhai Mandaviya Ji on February 19, 2022. The Florola products contains a pot, seeds, ready to use pot mix, gravels and fertilizer liquid spray bottles. The product is available at affordable prices to help individuals and organizations to become a part of the green movement. This is an initiative, to switch from the conventional products to more ecofriendly recycled options for daily use as well as gifting.

11.0 HUMAN RESOURCES

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

12.0 CSR ACTIVITIES

As part of its initiatives under “Corporate Social Responsibility’, the Company has undertaken several projects in the areas of rural development, health care and education, with the aim of serving the needy. During the year, your Company has spent Rs.7.48 Crore including Rs.0.50 Crore set off for succeeding financial year on CSR activities which, inter alia, includes Installation of Medical Grade Oxygen Plants at Thal, Mumbai & Siddharthnagar, UP, Supply of drinking water to the villages, Covid Vaccination at Trombay & Thal, Livelihood enhanced projects, Rural Development Road Repairing, Garbage vans to Village, financial assistance to National Association for the Blind, India (NAB), Women Empowerment, Furniture to school, Medical camp, phacoemulsification system for cataract surgery, Free OPD for needy patients & conduct skills development programme in Aspirational district Osmanabad District Maharashtra for college



students. Your Company has also made successful efforts to support the clean and green India campaign under its CSR activities.

13.0 SUSTAINABLE DEVELOPMENT

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

14.0 HEALTH, SAFETY AND ENVIRONMENT

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

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

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

Trombay and Thal units of the Company have taken up massive tree plantation drives in factory premises, in residential colonies and, surrounding areas during the year 2021-22.



15.0 CORPORATE GOVERNANCE

Your Company believes that sound corporate governance is fundamental to the enhancement of the value of the Company and its long term growth. Based on the core principles of fairness, transparency and accountability, your Company strives to maintain a high standard of governance through comprehensive and efficient frame work of policies, procedures and systems to promote responsible corporate culture. The Company expects “Excellent” Rating on Corporate Governance on compliance of DPE guidelines for the year 2021-22.

16.0 MEMBERS’ ACTIVE INTEREST IN THE COMPANY

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

17.0 ACKNOWLEDGEMENT

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

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



Thank you Ladies and Gentlemen. ***“Let us Grow Together”***.

I now move the annual accounts for adoption.

(S. C. Mudgerikar)
Chairman & Managing Director

Date: December 23, 2022

Place: Mumbai