

BOARD'S REPORT

Dear Members,

Your Board of Directors have pleasure in presenting the 35th Annual Report on the business and operations of the Company together with audited financial statements for the Financial Year ended March 31, 2020.

1. Standalone Financial Results

(Rs. in Crore)

Particulars	Financial Year	
	2019-20	2018-19
Revenue from Operations	12205.95	10094.52
Other Income	179.34	141.60
Total Income	12385.29	10236.12
Total Expenses	11093.01	9246.16
Profit before Exceptional Items and Tax	1292.28	989.96
Exceptional Items	(33.42)	197.27
Profit before Tax	1325.70	792.69
Total Tax Expenses	101.39	247.42
Profit for the Year	1224.31	545.27
Other Comprehensive Income for the Year (Net of Tax)	(251.62)	(111.35)
Total Comprehensive Income for the Year	972.69	433.92
Retained Earnings - Opening Balance	2381.60	1981.57
Add:		
Profit for the Year	1224.31	545.27
Any Other Change	0.57	0.93
Less:		
Cash Dividend (including Dividend Distribution Tax)	301.05	95.34
Transfer to General Reserve	50.00	50.00
Re-measurement Loss on Defined Benefit Plans	1.31	0.83
Retained Earnings - Closing Balance	3254.12	2381.60

2. Operations

The Company is engaged in manufacturing of Urea with three Urea plants at Gadepan, District Kota, Rajasthan. The third Urea plant of the Company ("Gadepan-III Plant") had commenced the commercial production of Urea with effect from January 01, 2019. The Company also markets other branded Agri-inputs such as Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), NPK Fertilisers, agrochemicals, sulphur, micronutrients and city compost.

Financial year 2019-20 being first full year of operation of Gadepan-III Plant, the Company had achieved highest ever production of 32.66 lakh MT of Urea in comparison to 25.04 lakh MT of Urea during the Financial Year ended March 31, 2019. It is heartening that despite first year of operation, Gadepan-III Plant ran at its full capacity. The Gadepan-III Plant has not only boosted the top line and bottom line of the Company, it has also helped in reducing the gap in demand and supply of Urea in the country.

During the Financial Year 2019-20, the Company achieved growth in sales volumes of DAP whereas the sales volumes of MOP, NPK Fertilisers and agrochemicals were slightly lower in comparison to the previous year.

With increased volumes of Urea, the Company has focused on enhancing its marketing reach and made a multi-pronged strategy to achieve this objective. During the year under review, the Company has increased its presence by opening new marketing centers in Madhya Pradesh and Uttar Pradesh. The Company has also facilitated easy availability of funds to the dealers by introducing them to the financing schemes of the public sector and private sector banks. This initiative has enabled the dealers of the Company to raise working capital at reasonable rates and helped the Company in increasing its business volumes with the existing dealers. The Company has made a plan to diversify its sources of supply of imported fertilisers in terms of suppliers and countries from which the material is imported.

The outbreak of Novel Corona Virus ("COVID-19") pandemic hit the world and the country during last quarter of the Financial Year 2019-20 resulting into nationwide lockdown from March 25, 2020. Fertiliser being an essential commodity, the Company's manufacturing operations were exempted from lockdown and the Company has been able to continue its operations at normal levels. The Company's production, dispatches, sales and market collections remained unaffected. The Company has been taking all necessary precautions to run its operations in a safe and secure manner. The Company took several pro-active measures such as mobilizing its critical work force, locating them within factory premises and adopting stringent social distancing procedures. In view of the above, there was no impact of COVID-19 pandemic on the operations of the Company.

The Company has achieved highest ever revenue and profit after tax during the financial year 2019-20. The increase in revenue and operating profit was mainly contributed by higher production and sale of Urea from Gadepan-III Plant and higher sales volumes with better margins in DAP. The reduction in margins with lower volumes of MOP, agrochemicals and other products have, on the other hand, impacted the profitability of the Company to some extent.

During the Financial Year 2019-20, the Company has recognized a deferred tax credit of Rs. 343.97 Crore in pursuance of the provisions of the Taxation Laws (Amendment) Act, 2019, which has contributed to the increase in profit after tax of the Company. Further, the Company

has provided for Rs. 62.02 Crore towards impairment loss in respect of Single Super Phosphate Plant, write off of certain plant & machinery items and fair value loss on investments, which had a negative impact on the profit after tax of the Company.

During the previous year, the Company had provided for Rs. 197.27 Crore due to delay in implementation of Modified New Pricing Scheme – Stage – III (“Modified NPS-III”) for payment on account of additional fixed cost to Urea units by the Ministry of Chemicals and Fertilizers, Government of India (“MOCF”). During the Financial Year 2019-20, MOCF has amended Modified NPS-III and in terms of such amended Modified NPS-III, the Company has reversed the aforesaid provision of Rs. 197.27 Crore and written off an amount of Rs. 91.70 Crore towards subsidy accrued during the previous years. The Company has also provided for a loss of Rs. 72.15 Crore on account of re-measurement of fair value of its investment in CFCL Ventures Limited and its commitment in respect of ISGN Corporation, both being subsidiaries of the Company. The net impact of the above has been shown as “Exceptional Items”.

The detailed information on the business operations of the Company, the Industry in which the Company operates and other relevant information is given in the Management Discussion and Analysis Report attached as **Annexure “A”** to this Report.

3. Dividend

The Board of Directors of the Company declared an interim dividend of Rs. 4.00 per equity share of Rs. 10 each @ 40% (Previous Year – Dividend of Rs. 2.00 per equity share @ 20%) during the Financial Year ended March 31, 2020. The total outgo on this account was Rs. 200.69 Crore including dividend distribution tax of Rs. 34.21 Crore. The Board of Directors has not recommended any further Dividend for the Financial Year 2019-20.

The Dividend Distribution Policy of the Company is attached as **Annexure “B”** to this Report. There has been no change in this policy during the year under review. This policy is also available on the website of the Company and can be accessed at the weblink - <http://www.chambalfertilisers.com/pdf/Final-Dividend-Distribution-Policy.pdf>. The interim dividend declared by the Board of Directors is in accordance with the Dividend Distribution Policy of the Company.

4. Consolidated Financial Statements

In pursuance of the provisions of the Companies Act, 2013, the rules framed thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the applicable Accounting Standards, the Company has prepared Consolidated Financial Statements. The Audited Consolidated Financial Statements alongwith Auditor’s Report and the Statement containing salient features of the financial statements of Subsidiaries/Joint Venture (Form AOC – 1) forms part of the Annual Report.

5. Corporate Governance Report and Code of Conduct

Your Directors believe in maintaining the high standards of Corporate Governance. The Corporate Governance Report for the Financial Year 2019-20 is attached as **Annexure “C”** to this Report. All the Directors of the Company and senior management personnel have confirmed the compliance of Code of Conduct and Ethics of the Company. The declaration of the Managing Director confirming compliance with the ‘Code of Conduct and Ethics’ of the Company is enclosed as **Annexure “D”** to this Report and Auditor’s Certificate confirming compliance with the conditions of Corporate Governance is enclosed as **Annexure “E”** to this Report.

6. Subsidiaries and Joint Venture

The details of the subsidiaries and joint venture as on March 31, 2020 are given below:

(a) Subsidiaries

(i) CFCL Ventures Limited, Cayman Islands and its subsidiaries

CFCL Ventures Limited (“CVL”) is a subsidiary of your Company in Cayman Islands and it operates business through its subsidiaries, namely, ISGN Corporation (“ISGN, USA”) in USA and ISG Novasoft Technologies Limited (“ISGN, India”) in India.

The business of ISGN, USA includes designing, developing, marketing and distribution of software products for the mortgage lending industry in USA including licensing of the technology products as well as providing software as a service. ISGN, India supports this business through its operations in India. ISGN, USA and ISGN, India have sold / transferred certain assets/ liabilities to the respective buyers and these transactions were completed in the last quarter of the Financial Year 2019-20. After completion of these transactions, these subsidiaries were not having any business activity.

During the Financial Year 2018-19, the shareholders of Inuva Info Management Private Limited (Under Liquidation) (“Inuva”), a subsidiary of ISGN, India, had approved its voluntary liquidation in pursuance of the provisions of Insolvency and Bankruptcy Code, 2016 (“Insolvency Code”) read with the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 (“Insolvency Rules”). The liquidator has completely liquidated the assets of Inuva during the Financial Year 2019-20 and it was not having any assets or liabilities as on March 31, 2020. Inuva is in the process of voluntary liquidation / dissolution.

(ii) Other Subsidiaries

Chambal Infrastructure Ventures Limited is a wholly owned subsidiary of the Company in India. There was no business activity in this subsidiary during the year under review.

During the Financial Year 2018-19, the shareholders of India Steamship Limited (Under Liquidation) (“ISS, India”), a wholly owned subsidiary of the Company, had approved its voluntary liquidation in pursuance of the provisions of Insolvency Code read with the Insolvency Rules. The liquidator had completely liquidated the assets of ISS, India during the Financial Year 2019-20 and it was not having any assets or liabilities as on March 31, 2020. ISS, India is in the process of voluntary liquidation/ dissolution.

Further, the Board of Directors of India Steamship Pte. Ltd. (“ISS, Singapore”), a wholly owned subsidiary of the Company in Singapore, and the Company as its shareholder had approved the closure and voluntary striking-off the name of ISS, Singapore from the register of Accounting and Corporate Regulatory Authority, Singapore (“ACRA”). The assets and liabilities of ISS, Singapore were settled during the Financial Year 2019-20. The name of ISS, Singapore has been struck-off from the register of ACRA on April 6, 2020 and it ceased to be a subsidiary of the Company.

(b) Joint Venture: Indo Maroc Phosphore S. A. - IMACID ("IMACID")

IMACID is a joint venture of your Company in Morocco with Tata Chemicals Limited and OCP, Morocco. Each partner is having equal stake in the joint venture (33.33% each). IMACID is engaged in the manufacture of phosphoric acid in Morocco.

The performance of IMACID is summarized below:

Particulars	April 01, 2019 to March 31, 2020	January 01, 2018 to March 31, 2019
Production of Phosphoric Acid (MT)	344,381	472,138
Sales of Phosphoric Acid (MT)	293,093	481,808
Revenue	Moroccan Dirham 1944.07 Million (Rs. 1425.01 Crore)	Moroccan Dirham 3409.55 Million (Rs. 2475.33 Crore)
Profit after Tax	Moroccan Dirham 12.34 Million (Rs.9.04 Crore)	Moroccan Dirham 482.15 Million (Rs. 350.04 Crore)

During the previous year, the Company has considered financial results of IMACID for 15 months period ended March 31, 2019 for preparation of its consolidated financial statements, in order to align the financial reporting period of IMACID and the Company. In the current year, the Company has considered financial results of IMACID for 12 months ended March 31, 2020 for preparation of its consolidated financial statements.

IMACID faced challenges on the demand side and the margins were also low due to adverse market conditions. The lower production and sales with lower margins have impacted the financial performance of IMACID during the Financial Year 2019-20.

The Company does not have any material subsidiary as per the provisions of the Listing Regulations.

The performance of the subsidiaries of the Company is summarized in Form AOC - 1 attached to the Financial Statements of the Company in pursuance of Section 129 of the Companies Act, 2013. The contribution of subsidiaries and joint venture to the overall performance of the Company is also provided in Note no. 48 to the Consolidated Financial Statements.

The Company shall place the financial statements of subsidiaries on its website in pursuance of Section 136 of the Companies Act, 2013.

Except as mentioned above, no subsidiary, associate or joint venture has been acquired or ceased/ sold / liquidated during the Financial Year 2019-20.

7. Health, Safety, Quality and Environmental Protection

The health and safety of people is of utmost importance to your Company and it continuously works towards improving the safety standards at workplace. The Health, Safety, Security, Environment & Quality Policy of the Company sets out a formal process to achieve this objective. An Integrated Management System based on ISO- 45001:2018, ISO-14001:2015, ISO- 9001:2015 is in place in the Company and it has also adopted Process Safety Management. The details of various activities of the Company in this regard are as under:

(a) Health & Hygiene

The health assessment and occupational disease monitoring of employees and contractor workers is carried out through periodic medical examinations and hygiene monitoring at work place.

A well-equipped health centre at Gadepan operates round the clock to provide health services to employees & their families, contractor workforce and villagers in the vicinity of the plants. Three well equipped ambulances are available on round the clock basis at Gadepan which also cater to the requirements of villagers in medical emergencies. The Company also facilitates employees to consult a Company affiliated doctor to ensure the well-being of the employees. The Company also organizes training and awareness programs on health and hygiene related matters from time to time through external experts. In addition to this, various health camps and campaigns like pulse polio & swine flu vaccination, blood donation, immunization programmes for children, etc. are also organized periodically. The self-sustainable complex at Gadepan provides neat, clean and healthy environment to the employees and their families which goes a long way in their well-being.

(b) Safety Management

In order to ensure highest levels of health and safety of all the employees and contractor workforce, there is a well-defined health and safety management system in place in your Company. The Company has implemented a number of safety measures for accident prevention like hazard identification and risk assessment, job safety analysis, safety work permit system, etc. A strong Process Safety Management system is also in place to take care of safety in operation of plants and maintenance of equipment and machinery.

In order to take care of safety aspects in maintenance jobs in the plants, a cross functional team of senior management members review the jobs on a daily basis from safety perspective and ensures that all recommended actions are taken to prevent hazards. Extensive trainings and drills are conducted by internal and external experts which helps in maintaining and improving safety systems. The schemes of "Near-Miss" and "Make-to Good" reporting are in place and various programmes and campaigns are organized to encourage safety awareness and involvement among employees and contractor workforce. Keeping in view the nature of its operations, the Company has a well-defined "Onsite Disaster Management Plan" and "Mutual Aid and Response Group" arrangement with neighboring industry. The Company also provides services to neighboring villages surrounding Gadepan plants in case of any fire emergency.

(c) Environment Management

Your Company gives utmost importance to protection of environment and conservation of natural resources. There is a strong focus on optimization of resource consumption (including raw materials, fuels and water) and reduction of waste generation and emissions to the atmosphere.

Your Company has a robust mechanism in place to ensure that all the environmental parameters are maintained within the permissible limits. A dedicated Environment Management Cell monitors the compliances related to environment.

The Company's Gadepan campus made a positive change in ecology by developing a dense green belt comprising of variety of fruits and shrubs. Regular plantation is done in the campus to provide soothing & healthy environment for people working/residing in and around the complex. The campus is a habitat to many species of birds which include large number of peacocks. Only treated waste water is used in maintaining the green belt through irrigation network spread all over the complex. Use of polythene bags is strictly prohibited in the Gadepan campus.

The Gadepan-III Plant of the Company has a reverse osmosis-zero liquid discharge plant for treatment of effluent which has resulted in lesser intake of fresh water from the river. The Gadepan-III Plant is more energy efficient and therefore consumes less natural resources. Bio-Methanation plant is operational at Gadepan to handle the kitchen waste of plant canteen and township facilities and bio-gas is being utilized in the kitchen facility of guest house.

(d) Quality Management

Your Company has adopted state of the art technology in its plants to ensure world class quality of the product. The Urea manufactured by the Company is preferred in its marketing territory because of its quality. The Company is having a well-equipped laboratory at Gadepan for testing of raw material as well as end product. The quality is ensured at all stages of manufacturing processes, maintenance and support services. The Company sources the products marketed by it from the reputed manufacturers and the quality of branded products is ensured through testing at different stages. The Company gives utmost importance to customer feedback which is one of the most important tool for recognizing the areas of improvement.

8. Corporate Social Responsibility

The Corporate Social Responsibility ("CSR") has always been given due importance by the Company since inception. The Company has developed projects and programs keeping in view the needs and requirements of the community in the rural areas especially the villages near its plants. The CSR projects / programs of the Company cover the areas of Education including Technical and Vocational Education, Rural Development, Health care and Sanitation, Employability and Empowerment and Environmental Sustainability, Animal Welfare and Soil Health.

The brief outline of the CSR projects / programs of the Company is as under:

a) Project Akshar - Pre-primary & School Education

The comprehensive school education program aims to deliver better access to quality education to children from deprived and disadvantaged section of the society. Your Company is supporting more than 7700 students through 41 Government Aanganwadi centers and 44 Government schools of District Kota and Baran in Rajasthan. Your Company has adopted two additional government schools during the Financial Year 2019-20. The Company is giving priority to modernization of educational means in the adopted schools. During the Financial Year 2019-20, 10 additional smart classes and 2 digital English labs were set up in adopted schools taking the total number to 31 smart classes, 2 digital English labs and 44 computer labs. 4 science labs were also developed in Senior Secondary Schools for developing science acumen amongst students of higher classes. The Company is also focusing on promotion of extra-curricular activities which plays a vital role in holistic development of the child.

CFDAV School is being run in collaboration with DAV College Trust and Management Society and over 61% students in this school are from nearby villages.

In 25th State Level Bhamashah Awards - 2019, the Company was conferred with "Commendation Letter - Shiksha Vibhushan" by the Government of Rajasthan for its contribution in the field of education. Your Company was also conferred with the 3rd Rajasthan CSR Award in "Education and Skill Development Category" by the Government of Rajasthan.

b) Project Saksham - Technical and Vocational Education

Technical Education project / program of the Company aims to enhance the skills and employability of the students in order to enable them to get better employment opportunities. Your Company is supporting 5 Industrial Training Institutes (ITIs) i.e. ITI Sangod, ITI Sultanpur, ITI Baran, ITI Jhalawar and ITI Khanpur in Rajasthan. More than 1300 students are enrolled in these institutions pursuing courses in 10 different employable trades.

In order to expand the technical education initiative, your Company has adopted Government Polytechnic College, Baran during the Financial Year 2019-20. This initiative is expected to support more than 780 students in 4 different diploma engineering courses.

The objective of the Company is to enhance the infrastructure and education level in the adopted institutions and create employment opportunities for the students. The employees of the Company are involved in the management of these institutions to ensure that the institutions follow the plans to meet the above objective.

During the Financial Year 2019-20, 10 additional smart classes were added and 1575 trainees were certified in the courses such as "Fire and Safety" and "Occupational Health and First Aid" in these institutions. In order to bridge the gender gap in institutions, two trades - Computer Operator and Programming Assistant in ITI Jhalawar and Sewing Technology in ITI Baran are reserved for female candidates only.

Your Company is also offering short term vocational training programs in 4 Vocational Training Centers at Gadepan, Simliya, Palaitha and Rajgarh villages. These centers are providing certificates courses on Advance Tailoring, Food preservation and Value addition, Tie and Dye techniques, Motor Driving, Automobile Repairing and Solar Panel Assembling and Repairing, etc.

c) Project Saakar - Rural Development

The Company has made significant investment over the years for the development of rural infrastructure to provide better living opportunity to the community members.

During the Financial Year 2019-20, your Company has undertaken construction of cement concrete roads, drainage improvement system, development of playground, community shed, drinking water facility, etc. in nearby villages. The Company has also undertaken renovation and maintenance activities in 17 Government Schools during the Financial Year 2019-20.

d) Project Arogya - Health Care and Sanitation

Your Company is focusing on improvement in health and hygiene conditions of people in the rural areas through organizing various awareness programs and health checkup camps.

In order to address the outbreak of COVID-19 pandemic, special sessions were organized in all adopted schools. The Company has also provided necessary support in the nearby areas including support to local administration to spray disinfectant in villages.

The health care facilities are also extended in the remote villages of Dehradun and Tehri districts in Uttarakhand.

e) Project Pragati - Employability and Empowerment

With the aim of enabling community to become self-reliant by developing their competencies and skills, 44 Self Help Groups having more than 600 members are being supported in nearby villages.

The Company is facilitating women for production of school bags, reusable bags and school uniforms. These women have also started making low cost sanitary napkins for rural women and school going girls.

The Company is also facilitating small and marginalized farmers with "On-farm livelihood" activities which enable the farmers to access modern agriculture practices.

f) Project Bhoomi - Environmental Sustainability, Animal Welfare and Soil Health

The Company is running two agriculture development laboratories in Gadepan (Rajasthan) and Agra (Uttar Pradesh) along with three mobile soil testing vans in Rajasthan and Uttar Pradesh. These laboratories are providing soil testing reports to farmers for balanced usage of fertilisers. Based on the analysis reports, advisory services are being offered to the farmers to optimize farm outputs. Farmer's training, distribution of horticulture plants, etc. are also being organized by your Company on regular basis.

The composition and terms of reference of Corporate Social Responsibility Committee are given in the Corporate Governance Report. The Annual Report on Corporate Social Responsibility Activities (including the details of the development and implementation of the Corporate Social Responsibility Policy) as prescribed under Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached as **Annexure "G"** to this Report.

For the purpose of Section 135 of the Companies Act, 2013, the amount equivalent to 2% of the average net profits of the Company made during the immediately preceding three financial years works out to Rs. 15.30 Crore. As against this, the Company had spent Rs. 15.33 Crore on CSR projects / programs during the Financial Year 2019-20.

9. Directors and Key Managerial Personnel

The Board of Directors of the Company consists of ten directors. There are eight non-executive directors including five independent directors, a Managing Director and a Joint Managing Director.

The Board of Directors at its meeting held on August 10, 2019 had re-appointed Mr. Anil Kapoor (DIN: 00032299) as Managing Director of the Company for a period from February 16, 2020 to April 15, 2021, which was approved by the members of the Company at the Annual General Meeting held on September 28, 2019.

The Board of Directors at its meeting held on November 8, 2019 had appointed:

- (i) Mr. Gaurav Mathur (DIN: 07610237) as Whole Time Director designated as Joint Managing Director of the Company for a period of 5 (five) years with effect from January 06, 2020, subject to approval of the shareholders of the Company; and
- (ii) Mr. Pradeep Jyoti Banerjee (DIN: 02985965) as an Additional Director in the category of Independent Director of the Company with effect from December 01, 2019 and subject to approval of the shareholders of the Company, the term of appointment of Mr. Pradeep Jyoti Banerjee as an Independent Director of the Company shall be 5 (five) years with effect from December 01, 2019.

The Board of Directors is of the opinion that Mr. Pradeep Jyoti Banerjee is a person of integrity with high level of ethical standards and having worked in senior positions with large multinational organization, he possesses requisite expertise and experience for appointment as Independent Director of the Company.

The tenure of appointment of Mr. Nimesh Nagindas Kampani (DIN: 00009071), Independent Director shall expire on September 14, 2020. Mr. Nimesh Nagindas Kampani has requested the Board of Directors not to consider him for re-appointment. The Board of Directors expresses its sincere gratitude and appreciation of the contribution of Mr. Nimesh Nagindas Kampani as an Independent Director of the Company.

Mr. Saroj Kumar Poddar (DIN: 00008654), Chairman shall attain the age of 75 years on September 15, 2020. Pursuant to Regulation 17(1A) of Listing Regulations, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, recommends to the shareholders of the Company, to approve continuation of Mr. Saroj Kumar Poddar as non-executive Director of the Company after he attains the age of 75 years.

Mr. Chandra Shekhar Nopany (DIN: 00014587) is due for retirement at the forthcoming Annual General Meeting and has offered himself for re-appointment.

All the Independent Directors have submitted declarations that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013, the rules framed thereunder and the Listing Regulations. In terms of Section 150 of the Companies Act, 2013 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, the names of all the Independent Directors of the Company have been included in the data bank maintained by the Indian Institute of Corporate Affairs.

During the Financial Year 2019-20, the Managing Director and Joint Managing Director had not received any commission or remuneration from any subsidiary of the Company.

Seven meetings of the Board of Directors were held during the Financial Year 2019-20.

Other information on the Directors and the Board Meetings is provided in the Corporate Governance Report attached as **Annexure "C"** to this Report.

A certificate obtained by the Company from a company secretary in practice, confirming that none of the Directors on the Board of Directors of the Company have been debarred or disqualified from being appointed or continuing as director of companies by the Securities and Exchange Board of India /Ministry of Corporate Affairs or any such statutory authority, is enclosed as **Annexure "F"** to this Report.

10. Internal Financial Controls

The Company has internal financial controls commensurate to the size and nature of its business. The Company has policies and procedures in place for ensuring orderly and efficient conduct of its business and operations including adherence to the Company's policies, the

safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

The details of internal control system are given in the Management Discussion and Analysis Report attached as **Annexure "A"** to this Report.

11. Remuneration Policy

In pursuance of the provisions of Section 178 of the Companies Act, 2013 and Listing Regulations, the Company has formulated a Remuneration Policy. The Remuneration Policy, *inter-alia*, includes the appointment criterion & qualification requirements, process for appointment & removal, retirement policy, remuneration structure, etc. of the Directors including Managing Director and Whole Time Director(s), Key Managerial Personnel (KMP) and other senior management personnel of the Company. As per the Remuneration Policy, a person proposed to be appointed as Director, KMP or other senior management personnel should be a person of integrity with high level of ethical standards. In case of appointment as an Independent Director, the person should fulfill the criterion of independence prescribed under the Companies Act, 2013, rules framed thereunder and the Listing Regulations. The Remuneration Policy also contains provisions about the payment of fixed & variable components of remuneration to the Managing Director and Whole Time Director(s) and payment of sitting fee & commission to the non-executive Directors and describes fundamental principles for determination of remuneration of senior management personnel and other employees which are as follows:

- a) demand-supply relationship of the concerned job expertise;
- b) need of organization to retain and attract talent and its ability to pay;
- c) employees' social aspiration for enhancing standard of living; and
- d) compensation trends in the industries in which the Company operates.

The Remuneration Policy was amended with effect from April 01, 2019. Apart from certain changes of clarificatory nature, the Remuneration Policy was amended mainly to the effect that Nomination and Remuneration Committee shall also recommend to the Board of Directors, all remuneration in whatever form payable to the Directors, KMPs and senior management personnel of the Company and the Board of Directors shall take into consideration the recommendations of Nomination and Remuneration Committee while considering the appointment and remuneration of Directors, KMPs and senior management personnel of the Company.

The Remuneration Policy of the Company is available at the website of the Company at the weblink <http://www.chambalfertilisers.com/pdf/REMUNERATION-POLICY.pdf>.

12. Disclosures under the Companies Act, 2013, Rules thereunder and Secretarial Standards

- a) Your Company has not issued any shares during the Financial Year 2019-20.
- b) No significant and material orders have been passed by the regulators or courts or tribunals or statutory and quasi-judicial bodies impacting the going concern status and Company's operations in future.
- c) All related party transactions entered during the Financial Year 2019-20 were on arm's length basis and in the ordinary course of business. No material related party transaction (in terms of the Company's Policy on Related Party Transactions) was entered during the year by the Company and no contracts or arrangements were entered during the year with related parties which are required to be disclosed under section 134(3)(h) of the Companies Act, 2013 in Form AOC-2.
- d) The extract of annual return in Form MGT-9 is attached as **Annexure "H"** to this Report which is also available on the website of the Company at the weblink: <http://chambalfertilisers.com/pdf/Form-MGT-9-2019-20.pdf>.
- e) A copy of annual return of the Company is available on the weblink: <http://chambalfertilisers.com/annualreturns/>.
- f) The following information is given in the Corporate Governance Report attached as **Annexure "C"** to this Report:
 - i) The performance evaluation of the Board of Directors, the Committees of the Board of Directors, Chairman of the Company and the individual Directors;
 - ii) The composition of Audit Committee; and
 - iii) The details of establishment of Vigil Mechanism.
- g) The particulars of loans and guarantees given, security provided and investments made, if any, under Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements.
- h) During the Financial Year 2019-20, the auditors, secretarial auditors and cost auditors have not reported any fraud under Section 143(12) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.
- i) The Company has complied with the applicable Secretarial Standards prescribed under Section 118(10) of the Companies Act, 2013.
- j) The Company has complied with the provisions relating to the constitution of Internal Complaints Committees under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
- k) There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the Financial Year 2019-20 and the date of this report.

13. Directors Responsibility Statement

Your Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) the Directors have 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 as at March 31, 2020 and of the profit and loss of the Company for the year ended March 31, 2020;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;

- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

14. Auditors and Cost Auditors

The Notes to the Financial Statements read with the Auditor's Reports are self-explanatory and therefore, do not call for further comments or explanations. There has been no qualification, reservation, adverse remark or disclaimer in the Auditor's Reports.

The shareholders of the Company, at the Annual General Meeting held on September 15, 2017, had appointed M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016) as Auditors of the Company to hold office for a term of 5 (five) consecutive years from the conclusion of Thirty-second Annual General Meeting of the Company held on September 15, 2017 till the conclusion of Thirty-seventh Annual General Meeting of the Company.

The maintenance of cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, is required by the Company in respect of production of fertilisers and accordingly such accounts and records are made and maintained by the Company.

The Board of Directors of the Company has appointed M/s. K.G. Goyal & Associates, Cost Accountants for conducting audit of cost records of the Company, as applicable, for the Financial Year 2020-21. As required under the Companies Act, 2013 and Rules framed thereunder, your Directors are seeking ratification from the members of the Company for the remuneration payable to M/s K.G. Goyal & Associates, Cost Accountants.

15. Secretarial Audit

The Board of Directors of the Company had appointed M/s. RMG & Associates, Company Secretaries for conducting secretarial audit of the Company for the Financial Year 2019-20. The Secretarial Audit Report issued by the aforesaid Secretarial Auditor is attached as **Annexure "I"** to this Report.

There has been no qualification, reservation, observation, disclaimer or adverse remark in the Secretarial Audit Report.

16. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The Company always seeks to make its manufacturing facilities energy efficient and evaluates various options in this regard from time to time. Gadepan-III Plant of the Company is energy efficient in comparison to the existing plants. The requisite information with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo in terms of the Companies (Accounts) Rules, 2014 is set out in **Annexure "J"** attached to this Report.

17. Risk Management

Your Company has developed and implemented a Risk Management Policy. The Risk Management Committee of the Company periodically reviews all risks, finalise the risk document and monitors various risks of the Company including the risks, if any, which may threaten the existence of the Company. The composition and terms of reference of the Risk Management Committee are given in the Corporate Governance Report.

The risk document containing Key and Non-Key risks including way forward for mitigation thereof, as approved by the Risk Management Committee, is also reviewed by the Audit Committee and the Board of Directors periodically.

18. Deposits

During the year, the Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013. There was no public deposit outstanding as at the beginning and end of the Financial Year 2019-20.

19. Particulars of employees

Your Company believes that human resource is an important asset which plays a vital role in the performance and growth of the Company. Your Company maintains a cordial work environment and encourages the employees to contribute their best. The information required to be disclosed in pursuance of Section 197 of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is attached as **Annexure "K"** to this Report.

20. Employees Stock Option Scheme

The members of the Company had approved CFCL Employees Stock Option Scheme 2010, as amended and revised from time to time ("ESOS 2010") for grant of stock options exercisable into not more than 41,62,000 equity shares of face value of Rs. 10/- each to eligible employees and Whole Time Director(s)/ Managing Director of the Company. Each stock option when exercised would be converted into one fully paid up equity share of Rs. 10/- of the Company.

The Company has not granted any stock options during the year under review.

There has been no change in ESOS 2010 during the Financial Year 2019-20. ESOS 2010 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("ESOP Regulations") and implemented through CFCL Employees Welfare Trust ("Trust"). For the purpose of ESOS 2010, the Trustee of the Trust was holding 9,18,500 equity shares of the Company as on March 31, 2020 (13,35,900 equity shares as on March 31, 2019), being 0.22% of the paid up share capital of the Company. The ownership of these shares cannot be attributed to any particular employee till he/ she exercises the stock options granted to him / her and the concerned shares are transferred to him / her. Hence, the concerned employees to whom the stock options were granted under ESOS 2010 cannot exercise voting rights in respect of aforesaid shares held by the Trustee of the Trust as such employees are not holders of such shares. The Trustee has not exercised the voting rights in respect of the aforesaid shares during the Financial Year 2019-20.

The disclosures required to be made under ESOP Regulations read with SEBI circular no. CIR/CFD/Policy Cell/2/2015 dated June 16, 2015 are given on the website of the Company at the weblink: <http://chambalfertilisers.com/pdf/ESOP-Disclosure-2019-20.pdf>. The disclosures in respect of ESOS 2010 are also given in the notes to the Financial Statements.

21. Business Responsibility Report

In pursuance of the provisions of the Listing Regulations, the Business Responsibility Report for the Financial Year 2019-20 describing the initiatives taken by the Company from environmental, social and governance perspective forms part of the Annual Report.

22. Investor Service Centre

The in-house Investor Service Centre of your Company is located in the Corporate Office of the Company at New Delhi which provides prompt and efficient service to the investors. The Company takes various initiatives for investor satisfaction including reminders to investors about unclaimed dividends.

The equity shares of your Company are listed at National Stock Exchange of India Limited and BSE Limited. The Company has paid annual listing fees to these Stock Exchanges for the Financial Year 2020-21.

The members are requested to refer to general shareholders' information given in Corporate Governance Report attached hereto.

23. Acknowledgements

The Board of Directors wishes to place on record its appreciation of the co-operation extended by all the stakeholders including the Department of Fertilizers, Government of India, Government of Rajasthan and other State Governments, Financial Institutions & Banks, investors and customers. The Board of Directors also conveys its appreciation of the commitment and dedication of the employees at all levels.

For and on behalf of Board of Directors

Anil Kapoor
Managing Director

Gaurav Mathur
Joint Managing Director

Place : New Delhi
Date : May 23, 2020