

POLICY ON SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN IN NFCL

Nagarjuna Fertilizers and Chemicals Limited (NFCL) is the largest gas based manufacturer and marketer of agri-inputs in South India and its production of over a million tonnes of Urea and the imported urea is marketed by the company. Its product portfolio also include MICRO IRRIGATION, MAP, MKP, SOP, CN, POLYFEED, ZINC etc which is a wide and big basket of products touching farmers in Andhra Pradesh, West Bengal, Orissa, Chhattisgarh, Karnataka, Tamilnadu, Maharashtra, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Kerala, Gujarat, Punjab, Rajasthan and Haryana.

This product portfolio is delivered to farming community through a large network of transportation, handling and storage activities at various places near the markets. To serve our customers to their satisfaction, we deliver best quality fertilizers consistently. Supply Chain is accordingly a strategic activity.

The purpose of this pronouncement is to summarize how we manage our Supply Chain in terms of our Supply Chain activities and also to outline our policies in this field of operations.

This policy is intended to guide us and our stakeholders towards matters that are at the core in our Supply Chain.

OUR SUPPLY CHAIN GOALS

Our Supply Chain Goal is to ensure delivery of our products through a network of suppliers, locations, activities and vendors in order to maintain and develop our business. The values of our activities depend on the considerations of quality, reliability, logistics and operating costs.

To achieve the above we follow underlined thumb rules:

1. The quality of product delivered to end customer is at par with national standards. The product is delivered to customer when he needs it. We strive to improve the service levels.

2. We are innovative in solving our day to day problems.
3. The quantity of Urea supplied to Indian states meets the requirements given by Department of Fertilizers, Government of India (DoF/ GoI). The documentation at various levels meets the requirements of DOF for reimbursement of freight.
4. The cost of operations is competitive so that our Supply Chain helps create a competitive strength to the organization. For Urea, the equated costs and equated leads are within the limit prescribed by GOI policies from time to time.
5. The transportation and warehousing agents are reliable and they are able to manage the risks at their end.
6. The vendors and suppliers engaged with us espouse the same goals as us. Together we effectively and efficiently manage the entire supply chain.
7. We ensure that our activities meet the ethical standards set by law and society.

TEAMWORK

Effective Supply Chain is output of close teamwork between our Supply Chain personnel, Intra organization, our suppliers and vendors. Our Supply Chain consists of many functional teams which are integrated with the businesses they are working with:

1. 'Urea Logistics Team' which manages the transportation of manufactured Urea at Kakinada and imported Urea at ports, namely Vizag port, Kakinada Port and Cuddalore Port. It also manages the warehousing and storage in many Indian States.
2. 'Micro Irrigation Team' which manages the procurement of raw material to Plant located at Nacharam, Hyderabad and logistics of finished goods to many Indian states.
3. 'Speciality Fertilizers Team' manages procurement of raw/ finished goods from foreign countries and repacking into smaller SKUs.

They also manage the logistics for these products in around 20 states.

4. 'Corporate Procurement Team' manages procurement of items for Corporate Office, IT hardware, traded products and packing materials.

PROCESSES

Our processes underwent Business Process Engineering (BPR) and we are in the process of implementing the same. Our processes are:

1. **How we plan:** Our plans are based on annual sales plan. If there are any changes in the sales plan on monthly or seasonal basis, the same considered for making plans. We plan for primary transportation, both by road and rail, unloading, loading, secondary transportation, storage, repacking etc. The inputs for plans are decentralized but planning is done on centralized basis.
2. **How we Source:** Our sourcing is based on the criteria described in Purchase Manual. Our suppliers are parties offering least rates, with assurance of quality and continuity of business.
3. **How we deliver:** Our deliveries meet the mantra of right quantity, right quality, right place and right time.
4. **What the contingencies are:** We have put in place many steps to meet the contingencies. We obtain insurance coverage for the product loss and business loss. Our suppliers/ vendors hold the responsibility for product loss during stock movement. We have contingencies in the form of alternate suppliers/ vendors based on sensitivities of the business.
5. **What the BCPs are:** Our business control procedures (BCP) have evolved and stood the test of time. Our main BCP tools are Delegation of authority/ certification by the people who are actually in the operations, proper authorizations for issue of contracts.

We have taken following additional steps to improve our processes:

1. Our monthly reviews on demand fulfillment, cost of our operations and quality of the deliveries keeps us abreast of the challenges ahead.
2. Our periodical interaction with Supply Chain professionals and internal customers and suppliers/ vendors helps us evolve into an effective and efficient team.
3. Our data entry is online and this reduces the chances of error and reduces wastage of precious man-hours. We are moving towards PDA based order and shipment processing thereby making data entry online.

SUPPLIERS & VENDORS

Our suppliers and vendors are established players in their respective fields and work as a Team with us. They have been partners with us for many years and are

1. Able to respond to various challenges thrown by environment.
2. Able to shoulder responsibility of managing the warehousing and storage nearby markets.
3. Able to identify, communicate and effectively manage problems in a proactive fashion
4. Open to constantly improving efficiency and driving down the cost of operations.

ETHICS

'Being part of the society' has been at the root of our organization. Indeed the very motto of our group logo reads, "Serving Society Through Industry". We can not but have to be part of society which espouses that our practices be at concord with legal and societal mores.